STUDY ON THE PERFORMANCE OF EXPORTING LEATHER FOOTWEAR SMEs IN INDIA

THESIS

SUBMITTED FOR THE AWARD OF

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By

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Declaration

I do hereby declare that the thesis entitled "**Study on the Performance of Exporting Leather footwear SMEs in India"** submitted to the Faculty of Management Studies and Research, Aligarh Muslim University, Aligarh in partial fulfillment of the requirements for the award of the degree of **PhD in Business Administration** is a record of original work done by me under the supervision and guidance of **Dr. Asif Ali Syed**, Assistant Professor, Department of Business Administration, Faculty of Management Studies and Research, Aligarh Muslim University, Aligarh, (Internal Adviser), and **Dr. Raj Agarwal, Director**, All India Management Association, New Delhi, (External Adviser), and it has not previously formed the basis for the award of any Degree/ Diploma/ Associateship/ Fellowship or similar title to any candidate of any university.

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“Sometimes it's the journey that teaches you a lot about your destination”

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Preface

Leather plays an important role in the export basket of India and also occupies a place of prominence in the Indian economy in view of its massive potential for employment and growth. The Global import of Leather and Leather Products is growing at a cumulative annual growth rate of 5% (Council for Leather Exports) and this trend is expected to follow in the near future. Also, among the different products imported within the leather sector, world demand for leather footwear comprises of 70.64%. The percentage share of leather footwear among the different leather products for export is also the highest in India. The footwear sector is a very important segment of the leather industry in India and is considered the engine of growth for the entire Indian leather industry.

The SME sector in India contributes about 60-65% in the leather segment and about 80% in the leather footwear segment. While the scenario for India's Leather footwear industry has enhanced in view of deteriorating production of leather footwear in the Western European countries, the industry in India has to go in for significant capacity enhancement in order to fully utilize this opportunity. India's export share to world import for leather footwear is hovering around 2-3% only for the last decade and at the same time the share of its Asian counterparts is increasing by leaps and bounds. The Council for Leather Exports, in the year 2007, had projected an estimated growth for the leather footwear export to 4526.05 million US $ for the year 2010. But India failed to achieve that milestone, which could have boosted India's share to the world import to 9.35%.

The present research study attempts to contribute by examining the performance of the exporting SME leather footwear units with respect to their specific demography, internal environment and external environment in which they operate and whether these factors significantly affect the export performance at large. It is hoped that the findings of this study would provide

an insight to the areas where the exporting firms should immediately upgrade themselves and also the capacities where the government should intervene and act in order to bring a marked difference in the export performance in the leather footwear sector.

The thesis is divided into five broad chapters.

Chapter 1 begins with the introduction, where the importance of export in an economy and the present condition of the leather footwear sector in India is discussed. The chapter mainly focuses on the justification of the study and lays down the research objectives.

Chapter 2 highlights the review of literature on the dimensions of exports of leather footwear and comes out with the research gaps.

Chapter 3 focuses on the research design, research hypotheses, sampling plan and the procedures followed for conducting the study.

Chapter 4 deals with the analysis of the data collected through primary and secondary source and also comes out with findings and interpretations of the analysis done

The last chapter (5) deals with the conclusions and recommendations and also provides directions for future research on the basis of insights gained from the present study.

Bianka Ray Chaudhury

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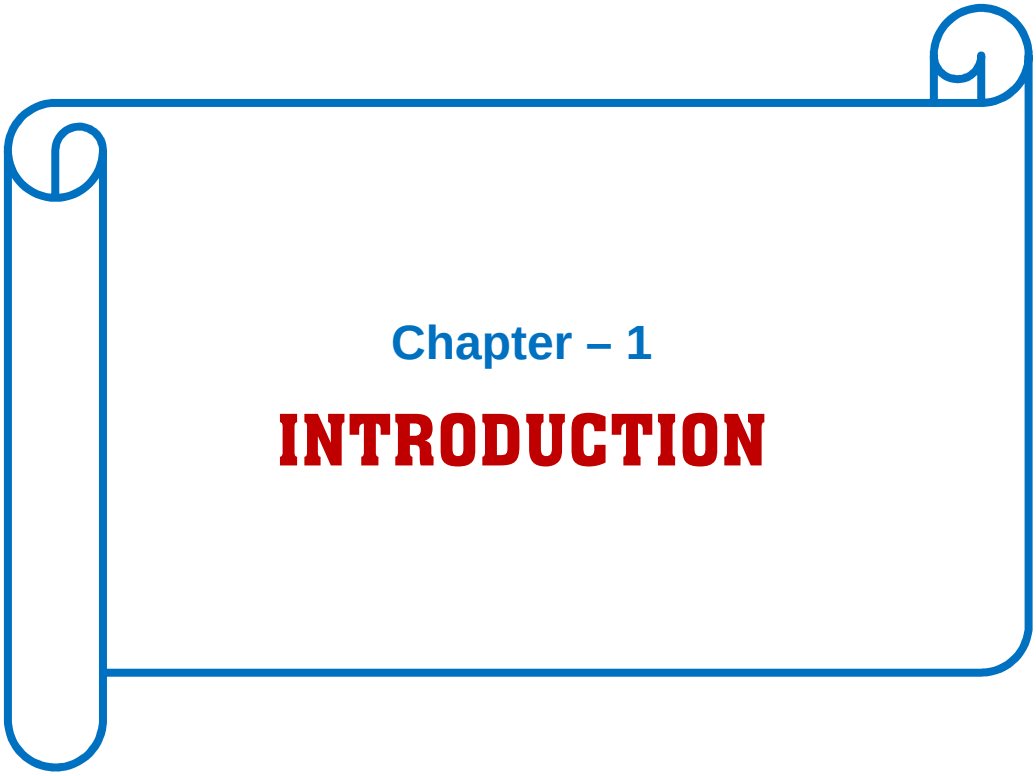
ABBREVIATIONS

AANZFTA	:	ASEAN-Australia-New Zealand Free Trade Area
AISHTMA	:	All India Skin and Hide Tanners and Merchants Association
AUT_PROC	:	Automation in process
ASEAN	:	Association of Southeast Asian Nations
ASS_INST	:	Associated institutes
BIPA	:	Bilateral Investment Promotion & Protection Agreement
BLK_ORD	:	Sharing of bulk orders
BLK_PRC	:	Bulk purchase of raw materials
BTA	:	Bilateral Trade Agreement
CECA	:	Comprehensive Economic Cooperation Agreement
CEPA	:	Comprehensive Economic Partnership Agreement
CFA	:	Confirmatory Factor analysis
CFTI	:	Central Footwear Training Institute
COLL_LRN_PRS-INN	:	Collective learning of process innovation
COLL_LRN_PRD-DSGN	:	Collective learning of product-design innovation
COLL_INV	:	Collective investments behind equipment's and machineries
COMM_RAW-MAT_SS	:	Common raw material supply center
COMM-LOAN	:	Common loan authorizing center
COMM_FAC	:	Presence of common facilities
COMP_PRT	:	Competitive Priority
COST_LOGST	:	Cost behind Logistic

COST_PWR	:	Cost behind power
COST_RAW_MTR	:	Cost behind Raw-Materials
CLE	:	Council for Leather Exports
CLRI	:	Central Leather Research Institute
DEL_SPD	:	Delivery Speed
DEV-HRS	:	Development of sector specific human resource skills
DIC	:	District Industries Center
DTA	:	Double Taxation Avoidance
ECO_LEV	:	Economic Leverage
ECO_MTP	:	Economic Multiplier
EMG_MKT	:	Emerging Markets
EXC_SAL_TAX	:	Excise and Sales tax
EXP_STRG	:	Export Strategy
EXP_VOL	:	Export Volume
FDDI	:	Footwear Design and Development Institute
FIPA	:	Foreign Investment promotion and protection agreement
FTA	:	Free trade agreements
GDP	:	Gross Domestic Product
GOVT_SUPP	:	Government's Support
GSP	:	Generalized System of Preferences
IMP_DUT_COMP	:	Import Duty behind Component
IMP_DUT_LTH	:	Import Duty behind Leather
IMP_DUT_MCH	:	Import Duty behind Machineries
INV_PRIO	:	Investment Priority
JNT_SHP	:	Joint established retail shops between competitor firms

JVEPA - Japan	:	Vietnam Economic Partnership
LAB_PROD	:	Labour Productivity
LAB_WAG	:	Labour Wage
MCHNZN	:	Status of mechanization
MKT_LDS	:	Sharing of market leads
MKT_RSC	:	Market Research
OWSHP	:	Ownership type
PAT	:	Profit After Tax
PCA	:	Partnership & Co-operation agreement
PHY_IFS	:	Physical Infrastructure
PRC_COMP	:	Price Competitiveness
PROD_DSG	:	Product Design
PROD_SEG	:	Product Segment
PROD_QLY	:	Product Quality
PROM_ACV	:	Promotional Activities
QLT_CNT	:	Quality Control
RCA	:	Revealed Comparative Advantage
REJ_RATE	:	Rejection Rate
RES_MTP	:	Resource Multiplier
SAL_REV	:	Sales Revenue
SBSD	:	Production subsidiary
SD	:	Standard Deviation
SEZ	:	Special Economic Zones
SME	:	Small and Medium Enterprises
SS_CHN_EFF	:	Supply Chain Efficiency
SUP_IFS	:	Support Infrastructure

TML_DEL	:	Timely Delivery
TRN_EMP	:	Training of Employees
WLF_EMP	:	Welfare of Employees
WTO	:	World Trade Organization



Chapter – 1

INTRODUCTION

1. INTRODUCTION

1.1 Chapter Outline

The leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. There has been an increasing emphasis on its planned development, aimed at optimum utilization of available raw materials for maximizing the returns, particularly from exports. SMEs play a vital role in the export of leather and leather footwear as around 60-65% of the exports are contributed by this segment and also SMEs comprises of 80% of the leather footwear units. However, due to a number of reasons in this globalized era, there lacked consistency in the supply of exports from SMEs in the leather footwear segment. The share of leather and leather products to the Indian export basket has reduced from 4.73% in 2001 to 1.49% in 2014 (Foreign Trade Performance Analysis, Department of Commerce, 2014).This research study focuses on the changing requirements of the global trade framework with respect to leather footwear sector, as failure to meet such requirements could go against an exporter or the even to the image of the country.

The chapter begins with the importance of export for the development of any nation, and is sub ceded by a section which looks into the structure of export in India. While the third section glances through the different sub sectors of the manufacturing export sector, the fourth section deals with the leather and leather footwear segment exclusively. The section that follows looks into the role of SME's in the export of India. The research motivation and research objectives have been developed in the subsequent part. The final segment has the chapter schema of this thesis.

1.2 Importance of Export

Exports of a country play an important role in the economy. For most of the countries throughout the world, growth of exports has also brought about

growth in the GDP and foreign exchange earnings of the economies. There has been a large of number of studies exploring the export-led-growth hypothesis, which clearly points out that export expansion are one of the prime determinants of economic growth.

A broad political consensus has emerged over the last decade about the imperative need for India to achieve and maintain a seven per cent plus annual growth rate of real Gross Domestic Product (GDP) in order to make a significant and durable dent on the long-standing problem of abject poverty. In this context, export-orientation is capable of playing a positive instrumental role in India's quest for a sustainable rapid economic growth. It has been found that exports had definitely enhanced and accelerated the development of India throughout the last decade. It is only through increasing competition in the economy and enhancing exports that India could target to have a GDP growth between 7-9 %. (WTO Report, 2002).

Table 1.1: *Contribution of Export to GDP*

(Base Year : 2004-05) (Rs Billion)					
Year	**GDP at FC**	**GDP at MP**	**Export**	**Export as % of GDP(FC)**	**Export as % of GDP(MP)**
1980-81	7985.06	8663.4	67.11	0.84	0.77
1990-91	13478.89	14876.15	325.58	2.42	2.19
2000-01	23484.81	25597.11	2035.71	8.67	7.95
2001-02	24749.62	26831.9	2090.18	8.45	7.79
2002-03	25709.35	27852.58	2551.37	9.92	9.16
2003-04	27757.49	30041.9	2933.67	10.57	9.77
2004-05	29714.64	32422.09	3753.4	12.63	11.58
2005-06	32530.73	35432.44	4564.18	14.03	12.88
2006-07	35643.64	38714.89	5717.79	16.04	14.77
2007-08	38966.36	42509.47	6558.64	16.83	15.43
2008-09	41586.76	44163.5	8407.55	20.22	19.04
2009-10	45161	47908.47	8455.34	18.72	17.65
2010-11	49370	52961.08	11429.22	23.15	21.58
2011-12	52435.82	56313.79	14659.59	27.96	26.03
2012-13	55054.37	58136.64	16352.61	29.70	28.13

Source: DGCIS, 2013

On this note, India's New Foreign Trade Policy (2009-14) may be stated, which builds around two major objectives: 1) doubling the percentage of global merchandise trade and 2) to increase employment generation.

1.3 Structure of Export in India

To enhance export, the country's pattern of specialization is as important as being open to international trade. High export concentration is mostly determined by the dynamic growth of specialized exports, which tends to expand much faster than other exports (Amelia U. Santos-Paulino, 2011). The patterns of economic development are associated with structural changes in exports and expansion of export diversification worldwide (Samen, 2010). So the structure of export of any nation helps us to know the different types of goods that a particular country exports and also the composition of the goods in the country's export basket.

The broad economic categories under which, groups of exportable goods are defined are in terms of the Standard International Trade Classification system, which from the year 1971 has categorized seven different groups of exportable. In 2007, in its fourth revision, it classified and included the Service sector as a separate group for exports. The former groups are: Food and beverages, Industrial supplies, Fuels and lubricants, Capital goods (except transport equipment), and parts and accessories thereof, Transport equipment and parts and accessories thereof, Consumer goods not elsewhere specified, Goods not elsewhere specified. Hence broadly, as of now, the two major sectors which come up in the export segment are the Manufacturing sector and the Service sector.

Manufacturing exports comprise the lion's share of merchandise exports of any country and so it is no different in the case of India. As depicted in Table 1.2 below, manufacturing exports has always been a major contributor in India's total merchandise trade as compared to the service sector. Although we find the service sector has also become significant for many economies in

the world and very important particularly for India. India is said to be moving towards a services-led export growth. During 2004-05 to 2008-09 as per the Balance of Payments data, merchandise and services exports grew by 22.2 and 25.3 percent respectively. Services growth slowed in 2008-09 as a result of the global recession, but the decline was less pronounced than the slowdown in merchandise export growth, and has recovered rapidly in the first half of 2010-11 with a growth of 27.4 per cent.

Table 1.2: *Share of Manufacturing & Service to Export*

Year	Manufacturing sectors contribution to export (%)	Service sectors contribution to export (%)
1991-92	73.59	26.41
1995-96	74.69	25.31
1999-2000	80.93	19.07
2000-01	76.1	23.9
2001-02	74.6	25.4
2002-03	71.4	28.6
2003-04	71	29
2004-05	68	32
2005-06	65.8	34.2
2006-07	62.9	37.1
2007-08	59.2	40.8
2008-09	63.8	36.2
2009-10	61.1	38.9
2010-11	61.5	38.5

Source: DGCIS, 2012, from “India Trades” database of CMIE

Manufacturing holds a key position in the Indian economy, accounting for nearly 15.4 per cent of real GDP in FY12 and employing about 12.0 per cent of India’s labour force. Apart from domestic consumption, manufacturing also contributes significantly to India’s international trade. Over the past five years, manufacturing exports increased at a CAGR of 20 per cent, outpacing the corresponding growth in merchandise exports. During FY11, the total manufacturing exports stood at USD 168.1 billion, higher than the FY10 figure

of USD 115.2 billion. But the share of manufactured goods in total exports, as seen in the above table, has declined substantially over the period 2000-01 to 2007-08 from 76% to 59%. The share crept up marginally thereafter and is 61.5% in the year 2011, but the downtrend of the said sector is clearly visible. Also, growth has remained below that of services, an issue that has not escaped the attention of policy makers in the country.

Though the share of the service sector in exports has become imperative for any nations accelerated growth, to maintain a decent and stable growth in the long term the manufacturing sector should not be compromised with. Many economists even argue that the economic health of the manufacturing sector has important repercussions for other sectors as well. A strong manufacturing sector is thus not a throwback but is fundamental to the development of any economy and the same holds good for the export sector as well.

In addition, a look at the performance of other economies in Asia reveals that there is still a long way to go for India's manufacturing sector. Despite growing at a higher growth rate in recent years, the share of manufacturing in India's GDP has increased only marginally. In comparison, for some of the key East Asian economies, the share of manufacturing in economic activity falls within the range of 25-35 per cent. Similarly India's share in global manufacturing exports is a miniscule 1.4 percent, far behind that of China which accounts for a massive 14.8 per cent. In fact, a number of South East Asian economies have a lead over India. Most prominent among them are South Korea, Malaysia, Singapore, Taiwan, and Thailand.

Manufacturing is crucial to the Indian economy. India ranks second in the world (after China) as per the 2010 Global Manufacturing Competitiveness Index (GMCI), prepared by the US Council on Competitiveness, and Deloitte. Looking ahead, it was estimated that India's competitiveness will increase further with its index score set to improve to 9.01(out of 10) in the next five years from the 2010 figure of 8.15. Nevertheless, the recent report of Deloitte on GMCI (2012) has ranked India in the fourth position after China, U.S and Germany.

(Given are the factors on which the GMCI ranks are assigned to nations: Talent driven innovation, cost of labour and materials, cost of policies, economic, financial and tax systems, physical infrastructure, government investments in manufacturing and innovations, legal system, supplier network, business dynamics, quality and availability of healthcare)

Hence, it is clear that though India possesses a high prospective for manufacturing exportable, to improve its merchandise trade, her share in global merchandise exports, and manufacturing exports, in particular, has not been reflective of her economic strength and potential.

1.4 Sub sectors of the manufacturing export sector:

Different sub sectors of manufacturing have contributed over the years to the export sector of India. Of late, from the year 2000 to 2013 six broad categories under the manufacturing sector have had a considerable contribution to the export market of India. The following table 1.3 gives us the contribution percentage of these sectors to exports.

Table 1.3: ***Contribution of different Manufacturing sector to Export***

Commodity	Apr-Oct 2001	Apr-Oct 2002	Apr-Oct 2003	Apr-Oct 2004	Apr-Oct 2005	Apr-Oct 2006	Apr-Oct 2007	Apr-Oct 2008	Apr-Oct 2009	Apr-Oct 2010	Apr-Oct 2011	Apr-Oct 2012	Apr-Oct 2013
Leather &Mnfr	4.73	3.73	3.46	3.12	2.75	2.41	2.27	1.85	1.94	1.65	1.61	1.68	1.8
Chemicals & related product	14.7	14.8	15.5	15.3	14.8	14.4	13.9	12.4	13.7	12.6	12.6	14.5	14
Electronic Goods	2.87	2.41	2.8	2.4	2.13	2.29	2.18	3.67	3.95	3.33	2.91	2.97	2.51
Textiles	22.8	21.4	19.04	16.49	15.12	13.13	11.89	9.44	11.21	9.3	8.91	8.9	9.49
Gems &Jewellery	15.8	18.3	18.47	17.4	16.85	12.99	13.25	16.03	16.48	14.61	15.05	15.2	13.7
Engineering goods	13.0	13.8	16.15	17.78	18.49	20.63	20.98	21.4	19.35	21.04	19.57	19.1	19.0

Source: Department of Commerce, Foreign Trade Performance Analysis

1.5 Leather Sector and Leather footwear

The Leather sector in turn forms an important part of the manufacturing sector and holds a prominent place in the Indian economy. This sector is known for its consistency in high export earnings and it is among the top ten foreign exchange earners for the country. According to the latest data, the export of Leather and Leather products for the financial year April-March 2011-12 touched US$ 4868.71 million as against the performance of US$ 3968.54 million in the corresponding period of last year, recording a positive growth of 22.68% (as given by the Council for Leather Exports, CLE). The Council also states that with an annual turnover of over US$ 8.5 billion, the export of leather and leather products increased manifold over the past decades and reached US$ 4.99 billion in 2012-13, recording a cumulative annual growth rate of about 8.54%.

The Indian leather industry has come in a big way, in both the organized as well as the unorganized sectors, and has been producing all sorts of goods from raw hides to fashionable shoes. Both big and small firms, including global players form part of this industry.

The global trade is projected to rise to a staggering USD 245 billion in 2020.The Global import of Leather and Leather Products has increased from US$ 140 billion in 2007 to US$ 182.77 billion in 2011, growing at a cumulative annual growth rate of 4.27%(Council for Leather Exports).

In the table given below, the global import of leather & leather products viz-a-vis India's export and share during 2007 to 2014 is given:

Table 1.4: ***India's export share of leather goods to world import***

(Value in Million US$)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
WORLD IMPORT	140006981	153050936	133909321	157215886	182773133	181645734	191068216	205773293
INDIA'S EXPORT	2753334	3227813	2904338	3091127	4114379	3994708	5115045	5529441
% SHARE OF INDIA	**1.97**	**2.11**	**2.17**	**1.97**	**2.25**	**2.20**	**2.68**	**2.69**

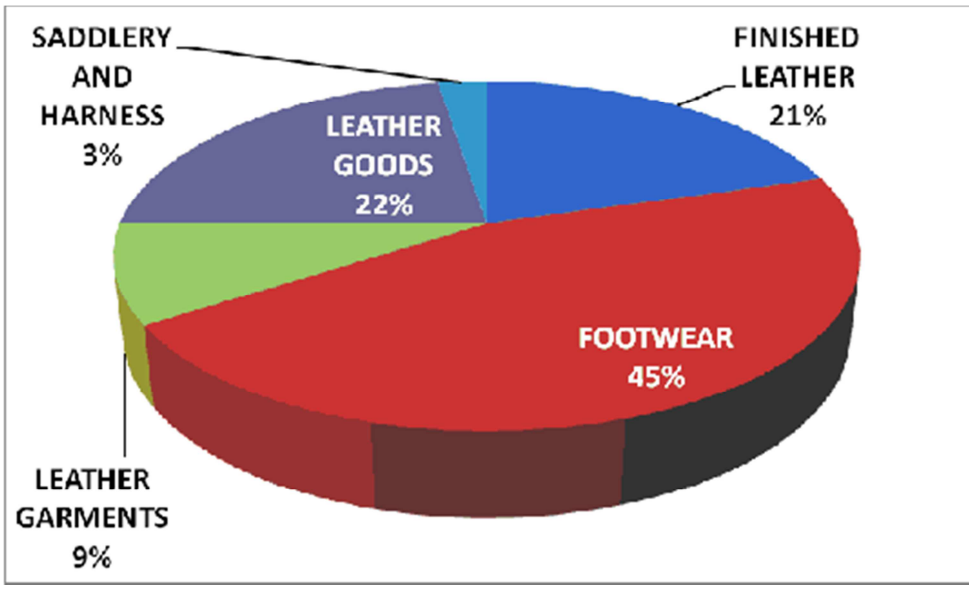
Source: Trade Map - http://www.trademap.org/Product_SelCountry_TS.aspx

India accounts for only a share of 2.69% in the global leather & leather products import trade of US$ 205.77 billion. The Leather industry in India has a comparative advantage of affluence of raw materials as the country is endowed with 12.55% of Bovine hides & skins, 12.29% of goat and kid skins, and 3.48% of Sheep and Lamb skins in the world. Hence India has vast scope to achieve a greater share in global leather trade in the next 5 years.

The product mix of the leather export sector which India caters to is finished leather, footwear, leather garments, saddler and harness and leather goods which includes belts, gloves etc. Among the different products imported within the leather sector, world demand for leather footwear comprises of 70.64%, where the global demand increased from 44824.69 million US$ in 2006 to 48360.36 69 million US$ in 2010.

To align itself to the trend of the global imports, the percentage share of leather footwear (45%) among the different leather products for export is the highest in India.

Figure 1.1: ***% Share of Leather Products in Export Performance (2014-15) in India***



Source: Council for Leather Exports, Ministry of Commerce and Industry, Govt. of India

The footwear sector is a very important segment of the leather industry in India and is considered the engine of growth for the entire Indian leather industry. India, on an average, produces 909 million pairs of leather footwear annually. The major production centers being Chennai, Ranipet, Ambur in Tamil Nadu, Mumbai in Maharashtra, Kanpur and Agra in U.P., Delhi and Kolkata.

The Footwear sector is now de-licensed and de-reserved, paving the way for expansion of capacities on modern lines with state-of-the-art machinery. To further assist this process, the Government has permitted 100% Foreign Direct Investment through the automatic route for the footwear sector.

1.6 Role of SME in the Export sector

All over the world, the small and medium enterprises (SMEs) have been accepted as the engine of economic growth promoting even-handed development. The major advantage of this sector is its employment potential at low capital cost. In recent years the small scale sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and vitality, the sector has shown splendid innovativeness and adaptability to survive the recent economic downturn and recession. Even in India the Small and Medium enterprises constitutes a significant and vital segment of the industrial sector and the economy as a whole.

So it becomes very crucial to define what exactly the small and medium enterprises are and how they differ from the large scale units. The term SME covers a heterogeneous group of businesses in a developing economy, ranging from a single artisan working in a small shop making handicrafts for a village market to sophisticated engineering firms selling in overseas markets (Fischer and Reuber, 2003). Several different criteria can be used to distinguish between an SME and a large firm in a developing economy. Three possible criteria are: the number of employees, the value of sales and the value of production equipment. The definition varies among the developing countries. In India, SMEs are identified through the value of production equipment. India defines Small scale industry to be an industrial undertaking

in which the investment in fixed assets, plant and machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs. 100 lakhs (as on 31-3-2001) (Development Commissioner, MSME). However, in 2006 a new bill called, 'The Micro, Small and Medium Enterprises Development Act,' was passed, which defines the enterprises as the following:

"A small enterprise is one, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees."

This change in the description and classification of SMEs in India readily shows the rapid growth of the sector in terms of numbers as well as in investments. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000 and to about over 26.1 million enterprises in 2009 (4th Census of MSME Sector).

The Government of India has accorded the SSIs to be a high priority sector because of its contribution to growth and exports of India. The capability of the Indian SMEs to compete in international markets is reflected in its share of about 30% approximately in the national exports of India. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses or export houses. The contribution of the SME sector to export and hence to GDP has increased over the years in terms of values.

Among the SME exports, 67% is contributed by the manufacturing sector (4th Census of MSME Sector) and to add to it the SME sector contributes about 60-65% in the leather segment.

1.7 Research Background and Motivation

According to a new ITC market study, an increasing portion of the leather footwear sector is supplied by developing countries. A large part of the production of these items has shifted from developed to developing

countries over the last two decades, a process that is still going on. Some of the world's leading brands of these goods are now produced (although not necessarily designed) in developing countries, a trend that is expected to continue because of the differences in the labour costs. A growing number of developing countries are successfully exporting leather footwear to the major markets. Shoes produced in Latin America, Africa and Asia is now found in shops across Europe and North America. Some of the suppliers to these outlets are the small and medium-size companies of the developing countries that have succeeded in penetrating the market through carefully planned export operations.

Likewise, small and medium enterprises are playing an increasingly important role in the process of export-led growth in India as it comprises of 80% of the leather footwear industry. While prospects for India's Leather footwear industry has brightened in view of declining production of leather footwear in the Western European countries, the industry in India has to go in for substantial capacity enhancement in order to fully utilize this opportunity. India's export share to world import for leather footwear hovers around 2-3% only.

Table 1.5: *India's export share of leather footwear to world import*

HS 6403 Leather footwear (Value in Million US$)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
World's import from India for HS 6403	1,044,946	1,221,363	1,179,326	1,341,309	1,649,899	1,491,843	1,964,725	2,126,775
World's total import for HS 6403	44,885,032	48,156,737	40,850,710	49,281,525	54,371,447	52,943,838	55,454,238	57,988,441
% of export from India	2.33	2.54	2.89	2.72	3.03	2.82	3.54	3.67

Source: Trade Map - http://www.trademap.org/Product_SelProduct_TS.aspx

The Council for Leather Exports, in the year 2007, had projected an estimated growth for the leather footwear export to 4607.82 million US $ for the year 2010. But India failed to achieve that milestone, which could have boosted India's share to the world import to 9.35%. The following table shows the competitors of India in the leather footwear export segment and their share to the global demand for the year 2010:

Table 1.6: ***Competitors export share of leather footwear to world import (2010)***

2010	China	Italy	Hong Kong	Germany	Belgium	Vietnam	Spain	Portugal
% share to world demand	21.6	14.8	7.5	4.3	3.8	5.1	3.3	3.1

Source: Council for Leather Exports, Ministry of Commerce and Industry, Govt. of India

The above table clearly shows that India is still far behind its Asian counterparts and needs to gear up substantially in the coming years. If we look at the percentage share of China, and more specifically Vietnam, we would surely find how much India is falling behind.

Table 1.7: ***Export share of China and Vietnam in leather footwear to world import (2007 - 14)***

HS6403 (Value in Million US$)	2007	2008	2009	2010	2011	2012	2013	2014
World's total imports for HS 6403	44,885,032	48,156,737	40,850,710	45,791,147	52,442,284	52,194,804	55,454,238	57,988,441
World Import from China for HS 6403	9,437,837	9,731,536	8,305,873	10,369,415	10,854,124	10,822,843	11,714,008	12,584,727
World Import from Vietnam for HS 6403	1,951,652	2,332,047	2,054,094	2,444,045	2,917,929	3,245,147	3,639,199	5,798,917
% of import (export)from China	**21.03**	**20.21**	**20.33**	**22.65**	**20.70**	**20.74**	**21.12**	**21.70**
% of import (export)from Vietnam	**4.35**	**4.84**	**5.03**	**5.34**	**5.56**	**6.21**	**6.56**	**10.00**

Source: Trade Map - http://www.trademap.org/Product_SelProduct_TS.aspx

Out of its annual production of leather footwear, India exports only 6.4% of its products. India is the second largest global producer of footwear after China, accounting for 13% of global footwear production of 16 billion pairs. But as stated before, nearly 94% of its production goes to meet its own domestic demand. Also, an Indian footwear unit can produce a maximum of only 2000 pairs a day while it is common to find Chinese units manufacturing 40,000 pairs a day. China has managed to corner a big slice because they have mastered the volumes game. India has unfortunately been a laggard here. Therefore even the small scale production units should get prepared for a massive change and any delay in this regard will not be in their own interest. They should transform themselves in different directions to reap the benefits of economies of scale and upgrade their production capacities, quality of the products and be price competitive in the international market.

Both the countries have an abundance of low-cost labour and large livestock population. Also, on the positive side in the last 10 years, world footwear exports increased by 79% in quantity and 108% in value, reaching an all-time high of US$ 85 billion in 2010 (World Footwear Yearbook).

It is also observed that the other Asian competitor-Vietnam, has been increasing its export share of leather footwear by leaps and bounds and have already touched the 10% mark.

The Global RCA (Reveal Comparative Advantage) of India for HS 6403 (Leather footwear) is greater than one for the timeline considered, which is 2003 to 2012. This implies that India has comparative advantage over leather footwear to the world and should therefore utilize its resources effectively and efficiently towards the exports of the said product and in the process increase its share of exports to the world.

Hence the question arises, where lies the gap in the Indian leather footwear export sector?

A fraction of the gap is depicted in the following two tables and explained further on. The major importers of Leather footwear (HS 6403) over the last few years are shown in the following table, where U.S.A is the lead importer with the EU nations following thereafter. However, it is also noticed that from

the last decade several emerging nations such as Japan, Russia, Korea, Canada, China, Australia and Switzerland have come into existence as upcoming importers.

Table 1.8: *% of Import for leather footwear across importers*

% of Import for Leather Footwear					
HS 6403	**2008**	**2009**	**2010**	**2011**	**2012**
USA	24.72	24.29	25.10	22.50	23.41
Germany	8.67	8.73	8.47	9.01	8.02
France	7.33	7.95	7.24	6.94	6.80
UK	6.87	6.86	6.71	6.16	5.86
Japan	2.33	2.45	2.45	2.53	2.81
Italy	6.63	7.19	6.87	6.77	5.95
HK	6.80	8.36	5.91	6.13	6.51
Russia	3.73	2.99	4.84	4.17	3.99
Netherlands	3.47	3.72	3.55	4.16	3.94
Belgium	3.52	3.76	3.04	2.48	3.23
Spain	3.31	3.01	2.81	2.53	2.15
Canada	2.19	2.24	2.21	2.10	2.14
Korea	0.93	0.95	1.17	1.25	1.25
China	1.05	1.05	1.25	1.71	2.01
Australia	1.37	1.43	1.43	1.40	1.51
Austria	1.81	1.83	1.67	1.74	1.57
Switzerland	1.72	1.85	1.70	1.75	1.70

Source: Trade Map - http://www.trademap.org

Keeping the above importers in consideration the next table portraits the share of Indian exports with them, in comparison to the Asian competitors.

Table 1.9: ***Export share of India, China and Vietnam in leather footwear across the world***

HS 6403	2008			% imported by the importer from the exporting country	2012		
	India	China	Vietnam		India	China	Vietnam
USA	1.66	67.01	6.42		2.11	63.27	9.65
Germany	5.96	13.14	12.33		6.53	13.01	11.96
France	4.05	10.31	7.47		5.01	11.35	8.08
UK	8.14	14.81	13.55		10.69	18.46	10.01
Japan	0.7	29.03	6.01		1.09	21.52	10.49
Italy	5.98	10.69	4.7		4.92	12.9	3.9
HK	0.3	85.05	3.92		0.4	74.86	5.99
Russia	0.76	61.02	3.92		1.65	44.01	5.99
Netherlands	4.17	17.01	7.94		3.33	12.24	6.45
Belgium	2.25	18.22	13.57		3.2	13.14	4.81
Spain	5.28	22	13.39		9.59	21.05	11
Canada	1.43	61.05	7.93		1.91	58.52	9.2
Korea	0.69	47.95	15.12		0.66	40.33	18.02
China	1.68	NA	16.22		2.61	NA	16.26
Australia	2.42	61.57	4.55		2.79	61.94	6.02
Austria	2.67	9.73	7.24		5.87	9.88	7.43
Switzerland	1.58	5.11	8.14		3.2	11.72	13.22

Source: Trade Map - http://www.trademap.org

Looking at the above table, and keeping in mind that the global RCA of India for HS 6403 (Leather footwear) is greater than one; India should immediately prioritize for the countries where its share is even lesser than 5%, viz. USA, Japan, Honk Kong, Russia, Canada, China, Australia, Switzerland etc. It should also be kept in mind that the countries where the share of Indian export is more than 5%, should not come down.

During 2010-11, the main export markets for Indian with respect to leather footwear were UK with a share of 19.16%, Germany 16.15%, Italy 12.46%, USA 8.04%, France 8.93%, Spain 6.45%, Netherlands 4.51%, Portugal 1.41%, U.A.E 2.45% and Denmark 0.97.%. These 10 countries together accounts for 80.53% share in India's total footwear export. On the other hand, for China the markets are: USA with a share of 31% followed by Russia 6.6%, Japan 6.4%, Germany 3.6%, UK 3.4%, Hong Kong 3.2%, and Kazakhstan 2.8%. Hence, nearly 70% of India's export of footwear is concentrated to the European Union alone and a part to USA.

Post-meltdown the leather industry was just picking up pace when it is suspected to again face a severe road block due to the debt crisis in the euro zone. The euro zone crisis impact would be huge as European Union (EU) is the largest importer of leather footwear from India. To add to this, the appreciation of rupee against euro and other currencies is bound to hit the industry. Order inflows from Europe have dropped by an average 20 per cent due to the severe slowdown in that region.

The Asian competitors (mainly China and Vietnam), unlike India, have diversified their markets into different trading zones and have also made a mark of their leather footwear exports to certain emerging markets like Japan, Canada, Russia, Korea, Switzerland, Australia etc.

An additional bigger challenge which the Indian exporters face in this segment is not the ability to secure orders, but the ability to execute it. The final leather product today needs to satisfy not just the aesthetic requirements of the customer but also his eco-consciousness and budget. The Indian Brand is still not renowned in most of the importing markets because of its quality standards, price competitiveness and timely delivery.

Leather Sector has been recognized as a Focus Sector in the Foreign Trade Policy 2009-14 and is even considered as a thrust area in the national planning for the development of India. The Government of India has already implemented major schemes for the promotion of exports of leather and leather goods. In the 12th Five Year Plan (2012-2017), the government has

approved for Rs 600-crore mega leather cluster development scheme. As per the scheme, it is proposed to develop Greenfield Mega Leather Clusters in the States having large concentration of leather units and also in states having potential for growth of the leather sector. These Mega Leather Clusters, which will have world class infrastructure and support services, will play a crucial role in enhancing capacity of the Indian leather industry in the next 5 years.

The Government of India is forthcoming with number of schemes and policy implementations for the development of the Leather sector and its exports. Besides even in the past, the Government offered numerous supports by implementing zero duty on import of any raw materials for the industry and permitting 100 percent foreign equity via the automatic route. The Footwear sector has been de-licensed and de-reserved, to introduce competition in the SME units, paving the way for expansion of capacities on modern lines with state-of-the-art machinery. The Government has even set up dedicated Footwear Complex and Footwear Components Part where footwear clusters are located. There has been active interest in collaborating with Indian Footwear companies from European countries like Italy, Spain and Portugal.

However, the proportional growth in exports of the leather footwear segment by SMEs that was expected to follow with the reduction in tariffs did not really happen in India. Some of the policies introduced by the Government of India may, however, not been very helpful in increasing the efficiency of the units in the SME sector as the export contribution of leather footwear did not show any substantial growth over the years as compared to its competitors.

Consequently, it may be asked that are the Government policies in line with the current trend and aligned with the requirements of the diverse import markets?

1.8 Research Objective

In the changing scenario of globalization and liberalization, it is crucial to take an extensive and firm look at the small scale sector in India which exports leather footwear. In India a majority of the SMEs are still in the unorganized

sector and have to face internal and external challenges. While the external challenges such as cost of raw materials, infrastructural facilities, competition, technology transfer from developed countries and talent attraction will need government support, the internal challenges need to be focused on equally. Exporting leather footwear SMEs need to have a global preparedness and more importantly discover their unique source of sustainability and develop it at a significantly higher level. This is possible by having a clear vision and focused measurable goals.

The Indian leather footwear industry has massive potential for generating employment and achieving high export-oriented growth. However, the on-going global economic slowdown with the prevailing Eurozone crisis and other challenges like price hike of raw materials etc. are major concerns about even maintaining the same growth levels in the future. The euro zone crisis impact would be huge as European Union (EU) is the largest importer of leather footwear from India, nearly 70%.

The purpose of this research is to examine various concerns in context of the exporting leather footwear SMEs in India. There are a number of supply sided issues like presence of technology, infrastructure, raw materials, cost structure etc. which the exporting SME firms deals with on one hand; and on the other hand faces numerous demand sided issues like price competitiveness, promotional strategies, product segment and design etc. This study wishes to explore the different factors associated with the exporting of leather footwear for an SME firm. Subsequently, these parameters will be evaluated in the context of the role played by certain key entities like the Government, infrastructure sector etc. This will actually bring out the competitive priorities, areas of investment, constraints if any, competency development, and their association with the performance of the leather footwear exports.

In light of the background for this research, the objectives can be broadly defined as:

- Portraying the performance of the exporting leather footwear SMEs of India
- Identifying and tracing out the various factors affecting the export performance of the leather footwear SME firms
- Scrutinizing the role of government associated with the performance of the leather footwear exporting SME units

Significance of the Study

The benefits that will accrue with this research are that it will have an effective approach to spot and identify the various loopholes present in the existing exporting leather footwear SME units of India.

This study will be important for the government in chalking out plans and policies as to where exactly the hand holding is necessary to aid and assist the exporting small scale units of leather footwear so that their contribution to export does not get dampened.

1.9 Chapter Schema

The entire thesis has been organized into five chapters. The first chapter gives the overview of the importance of the leather footwear exporting sector in India and the role of small and medium enterprises in it. The chapter also clearly upholds the situation of the said sector with respect to world demand and its competitors which evidently show the difficulties in which the leather footwear export sector is into. Keeping these problems into focus, the chapter concludes with the research objective and the significance of the study of the exporting leather footwear SME sector.

The rest of the paper is organized as follows:

The second chapter deals with literature review. The literature review is focused on the importance of exports to a nation and how the SME sector brings about growth through exports. It also deals with the challenges and impediments the SME sector has to bear owing to globalization. Keeping the

above two aspects in mind, the literature then studies the leather exporting SME sector – footwear in particular, from all over the world. The Research questions and the objective of the current study are then planned out after finding the Research gaps from the above mentioned portions of the literature.

The third chapter is that of the Research design and Research methodology. It starts with the problem statement and deals with the research questions in depth. The objectives are defined next, followed by the research framework which consists of the variables involved in the study. The next section has the various hypotheses that were tested to derive statistical inferences. After this come the research approach and the instruments used for data collection for this study. Lastly the population, sampling method and the sample size has been discussed.

The fourth chapter deals with the outcomes of the statistical analysis for all the four studies taken up in a sequential fashion. First it considers the overall descriptive statistics of the variables considered in the study. The following sections take up one study at a time and tries testing the hypotheses which come under individual studies. Confirmatory factor analysis was used in study one and four, where the presence of underlying latent constructs among the observed variables were checked first. Consequently, different forms of statistical tools have been applied to test the hypotheses, keeping in mind the units of measurement of the variables used. At the end, the findings which have emerged to be strongly conclusive have been summarized together.

The fifth chapter concludes the study, starting with the problems faced by the leather footwear exporting sector and the basic objective around which the research evolves. On the basis of the results and findings of the prior chapter, certain conclusions are drawn on several parameters associated with the exporting leather footwear SME units. This is followed by connecting those conclusions to recommendations, developed for the government and the exporting SME firms. The chapter ends with a lead to the future scope of research which can be developed from this study.

Chapter – 2

LITERATURE REVIEW

2. LITERATURE REVIEW

2.1 Chapter Outline

To reach to the chosen topic of research, the literature had been studied on the basis of few directions and courses. These are illustrated below:

In the first section of the literature review, the study broadly looks at the exports from India. In the next section, the small and medium enterprises of India and its connection to export and development of a nation has been looked into. Following this is the section on exporting SMEs round the world and the substantial role it plays in the economic upliftment of a nation through its export contributions. The vital issue of discussion is how to strengthen its competitiveness so that it can thrive steadily on its own internal potential and overcome the bottlenecks arising due to globalization. After which there is a section that reviews the exporting SME's from India, their challenges and potentials. The section which comes next is the SMEs in the leather industry-footwear in particular, from around the world. In the last section, the research gap has been identified, which the present study proposes to bridge and it is followed by the research questions and objective of the study.

2.2 Exports – Relevance and Importance from the Indian context

As we know, economic reforms and liberalization was introduced in 1991 as a major programme in India, with emphasis on the external sector. The policy focus was primarily on liberalization of capital goods and inputs for industry, to encourage domestic and export oriented growth. Though the growth rate started gradually picking up with GDP reaching to 7.23 % in 1999 as compared to 2.13% in 1991, the rate in the decline of poverty and unemployment was not enough to sustain such growth rates and the GDP rate fell sharply to 5.6% in the year ending 2000.

The Trade policy review as given by the WTO in 2000-2001, states that in order to achieve further significant reductions in poverty and unemployment, India should target higher real GDP growth of between 7% and 9% (compared with 5.4% expected for 2001/02). To meet this goal it will be important, as stressed by the authorities, to continue, and even accelerate, the reform process and increase competition in the economy and enhance exports.

So, keeping growth of the economy as a matter of prime importance, the questions which crop up are:

a) Do trade liberalization and reform processes actually enhance export? And

b) Will enhancing exports increase the growth rate of India?

With respect to the first question, it is important to characterize trade liberalization policies. These policies deal with the removal of or reduction in the trade practices that prevent free flow of goods and services from one nation to another. This includes dismantling of tariffs (such as import duties, surcharges and export duties) as well as non-tariff barriers (such as licensing, regulating, quotas etc.). *Amelia U. Santos-Paulino*, in her paper (*November, 2002*) titled “Trade Liberalization and Export Performance in selected developing countries” finds that exports react negatively to an increase in relative prices caused due to tariff barriers. Furthermore, export duties have a detrimental effect on export growth and trade liberalization as a whole emerges as a significant positive determinant of export performance.

But will this rise in export performance, created through a number of trade reform policies, ultimately enhance the growth of the nation on one hand and reduce unemployment and poverty on the other? Massive amount of research, including India, have been carried out throughout the world to find the relationship between economic growth and export; commonly called as the export led growth theory (ELG). However, the results and findings are not analogous and do not converge to the same conclusions.

ELG hypothesis, for the time period 1971-2005, fails to find support in India and shows that in spite of reforms, it still retains some characteristics of an import substituting economy *(N.C Pradhan, 2007)*. N.C Pradhan in his paper "Export and Economic Growth of India - A Co-integration and Causality Evidence" investigates the following hypothesis: (1) whether exports, imports and GDP are co-integrated using the Johansen's approach (2) whether export growth Granger causes GDP growth (3) whether export growth Granger causes investment. The paper could not confirm the hypothesis that exports Granger causes GDP and investment growth as well. On the contrary, *Krishan K Kaushik & Kurt K Klein (2008)* in their study "Does exports instability depresses economic growth? Evidence from error-correction model" finds that there exists a linear long-run equilibrium relationship among the variables, and any departures from this relationship are due to temporary disequilibrium forces. Their paper also come across that export instability has a negative effect on the economic growth in the short run and induces short run macro-economic instability. On similar lines, *Ranjan Kumar Dash (2009)* in his article "Revisited ELG hypothesis - an empirical study on India" states that there exists a long-term relationship between output and exports, and it is unidirectional, running from exports to output growth. Hence, in the case of India, the author feels further liberalization of trade policies are recommended in promoting and sustaining economic growth. Some papers even suggest that there exists a bi-directional causality between exports and economic growth and uni-directional causality among trade openness and GDP of India (*Rajwant Kaur & Amarjit Singh Sidhu,* in their paper titled "Trade Openness, Exports and Economic Growth Relationship in India"*, 2011*).

Economists argue that the disparity in the findings of the ELG theory in India is due to the fact that the years under study have undergone different trade policies - some import substitution, some export promotion and the rest facing a mixture of both. Never the less, whatever may be the conclusion, export growth effects output growth through a number of positive externalities, through the foundation of more efficient management styles, improved production techniques, increased scale economies, improved allocative

efficiency and better ability to generate comparative advantage. So, it is argued that enhancements in exports, even at the cost of other sectors, will have a spill over positive effect on the rest of the economy.

But is this growth in export entirely dependent upon global demand and is it affected by global crisis?

The Composition Change Index (CCI measures the total change in shares of the products which are exported from the home country to the importing country) shows that exports from India to USA, Japan and EU had been significantly affected during the global crisis of 2008-09 *(Prabir De & Chiranjib Neogi, 2010)*. In this context, the WTO report of 2010 states that due to the severity of the global financial crisis and its widespread impact on economies around the world, export restricting measures had outnumbered export facilitating measures by a factor of 5:2. This has led to increasing unemployment problems and hence further impacts on the growth of the nations. Hence, the WTO insists that the governments should largely resist resort to trade barriers as this will only lead to further instabilities within the economy.

It has been rightly said that domestic production reflects on exports and imports of any country and production in turn depends on endowment of factor availability. *T.P Bhatt* in his study “Structural Changes in India's Foreign Trade”, *(2011)* studied the export %, import %, GDP growth rate, export factor intensity, import factor intensity, composition of India's export and import and trade balance for the years 1950 to 2010. The study rightly finds out that India was always at an advantage in the production of labour-intensive commodities and so the export share of labour and resource intensive manufactures increased rapidly from 27.8 per cent in 1975 to 55.9 per cent in 2000, and then though declined to 31.2 percent in 2006, but still remained the highest supplier to export *(T.P Bhatt, 2011)*.

Consequently, growth of a nation through export growth, does not necessarily depend only on the volume of exports but also more importantly on the export

productivity which again depends on the type of specialization patterns. A country's specialization pattern should reflect on factor endowment, economies of scale, relative gap of factor productivity, or specific advantages of firms and industries (*Amelia U. Santos-Paulino, 2011).* Amelia U. Santos-Paulino in her study "Trade specialization, export productivity and growth in Brazil, China, India, South Africa" explores this particular fact and finds that a country's pattern of specialization and exports could be as important as openness to international trade. This specialization pattern will definitely lead to more value added exports in return. Some authors suggest that high export concentration is mostly determined by the dynamic growth of specialized exports -which tend to expand much faster than other exports.

Hence we find both export volume and structure, coming from the specialization pattern, describe export performance of an economy and indicate the level of its international competitiveness. And so, export performance of a country is eventually determined by the demand and supply factors. The supply side factors mainly include the factor endowment, costs of production, level of domestic demand, tax structure, foreign policy, etc. The first factor, at demand side, that perhaps spring to mind is prices of exports, followed closely by the income of the importing country. *Kulwinder Singh (2012)* finds in his paper titled "Economic Reforms, WTO and India's exports: An Analysis", that in India for some major commodities, export demand is more elastic to income of the importing countries than the relative prices. The paper also discusses that the RCA and RSCA indices reveal comparative advantage for majority of selected commodities in India. These indices have been high not only for the exports of primary products but also for many of manufactured exports, indicating change in export patterns over the period. It informs us that India has been able to change its export structure from primary products to labour intensive manufacturing products as they have more than 65% in total export earnings.

The government has long back taken up the supply-side policy, where a major thrust is given to perk up and improve the export side of the economy to bring about development. Export growth is very important because of its effect on

internal trade and economic stability. If exports increase at a faster pace as compared to imports, nothing can stop an economy from being a developed one. On the other hand, the instability in exports can adversely affect the process of economic development. Lower exports mean low foreign exchange and lower foreign exchange in turn means a small purchasing capacity of a nation in the international market. Fluctuations in export earnings introduce uncertainties in an economy. These uncertainties influence economic behavior by adversely affecting the level and efficiency of investment and in turn have a negative effect on growth.

The latest foreign trade policy of the nation *(2009-14)* aims at doubling its export volume, with a thrust given to employment generation. Over the years it has been observed that, India being a labour abundant country, its competitive advantage lies in labour-intensive products. The sector which is highly labour intensive and can generate huge employment in the economy is the Small and Medium scale sector. As a consequence, it has been the highest contributor to Indian exports.

Summary:

Most of the studies which have been carried out with respect to exports in India are broadly on: 1) trade liberalization policies taken up by the Indian government and its effect on exports and 2) the relationship between export and growth of the Indian economy in terms of the ELG hypothesis. In case of the first one, trade liberalization policies come out as an affirmative influencer for export performance. For the second one, though there have been contradictory inferences, but it is unanimously agreed that whatever may be the conclusion, export growth effects output growth through a number of positive externalities, through the foundation of more efficient management styles, improved production techniques, increased scale economies, improved allocative efficiency and better ability to generate comparative advantage.

Other areas which have been looked into are export import pattern in India and the changes over time with respect to different trading nations. Studies

have also been carried out on the factor endowment of the country and how it is related to the trade specialization of a country. Hence, for India it has been argued that it is the labour intensive sector which can reduce poverty and unemployment and bring growth in India through exports. Some papers have even come up with the RCA (Reveal Comparative Advantage) indices for a number of export commodities and have suggested that India should gradually move from exports of primary products to labour-intensive manufacturing products.

Hence it is found that the relationship between exports of the nation and its linkage to growth and employment has been studied in a broader sense, primarily with secondary data. No specific study has been done on the exports of a particular sector and its contribution to employment and development of the nation.

Table 2.1: ***Literature for "Exports – Importance from the Indian context"***

Sl No.	Author	Title	Yr. of publication	Objective	Variables/ Model	Major Findings
1	Amelia U. Santos Paulino	Trade Liberalisation and Export Performance in Selected Developing Countries	2002	Impact of trade liberalisation on the export growth for a sample of developing economies	1) Export demand function has been used. 2) Export growth depends on relative prices in a common currency, world income, foreign GDP growth, price elasticity, income elasticity, ratio of export duties (trade lib) to total exports. 3) Time series/cross section analysis for all countries and the estimation of dynamic panel-models by fixed effects and by generalized method of moments.	1) Exports react negatively to an increase in relative prices (through price elasticity) 2) External demand, i.e. world income has a positive effect on export growth. 3) Export duties negatively affect export growth. 4) Trade liberalisation processes emerge as a positive determination of export performance.
2	N.C Pradhan	Export and Economic Growth of India - A Co-integration and Causality Evidence	2007	Investigating the following hypothesis: 1) whether exports, imports and GDP are co-integrated using the Johansen's approach 2) whether export growth Granger causes GDP growth 3) whether export growth Granger causes investment	1) Time series data at aggregate level are adapted for the period 1971-2005 for the following variables: (a) GDP at constant market prices (b) GDP net of exports (c) Real exports (exports / unit price index of exports) (d) Real imports (e) Gross domestic capital formation (f) Employment. 2) Investigates the causality between GDP (and GDP less exports) on one hand and exports on the other, simple Granger causality test has been	1) The analysis fails to find support for the hypothesis that exports Granger cause GDP and investment as well. 2) Against ELG hypothesis for India and shows that in spite of reforms, it still retains some characteristics of an import substituting economy.

					performed by estimating the bivariate autoregressive processes for GDP (and GDP less exports) and exports.	
3	Krishan K Kaushik & Kurt K Klein	Does exports instability depress economic growth? Evidence from error-correction models	2008	To estimate both the long run structure and the short run dynamics between economic growth and export instability. Also, to find out, given a shock, whether the variables react and adjust on the path of equilibrium	1) A simple standard long-run relationship between real gross domestic product, real exports, export instability, real imports and terms of trade is analyzed. 2) This paper employs the square of deviations between the observed and estimated values of the export earnings, obtained by fitting a semi-log function, as an export instability measure.	1) One linear long-run equilibrium relationship among the variables, and any departure from this relationship is due to temporary disequilibrium forces. 2) The error correction model estimates that increase in export instability has a negative effect on the economic growth in the short run and induces short run macro-economic instability. Export instability has significant effects on the allocation of resources in the short run as agents' attempts to adjust the effects of export earning risk.
4	Ranjan Kumar Dash	"Revisited ELG hypothesis - an empirical study on India"	2009	To find the long-run relationship between exports and economic growth in India	1) Imports, exports of commodities, time period of the data, unit value index of India, unit value index of ROW. 2) Corrects the use of bi-variate approach which had combined import substitution and export promotion periods. 3) Uses co-integration and error-correction models to analyze the causal relationship for post-liberalization period (1992 [Q1]–2007[Q4].	1) There exists a long-term relationship between output and exports, and it is unidirectional, running from exports to output growth. 2) Hence, in the case of India, further liberalization of trade policies are recommended in promoting and sustaining economic growth.
5	Rajesh K. Pillania	"The state of Knowledge management in the Indian export sector"	2009	To know the current level of knowledge management among the Indian exporters.	1) Secondary data on macro perspective of various trade related issues (viz.) 2) Primary survey of the exporting	1) International export firms are more involved with KM as compared to Indian exporters but that KM is gaining currency among Indian exporters.

					units	2) Lack of information and poor knowledge sharing are the main problems faced by Indian exporters and they need to focus on KM for achieving sustainable competitiveness.
6	Rajwant Kaur & Amarjit Singh Sidhu	Trade Openness, Exports and Economic Growth Relationship in India	2011	Previous studies are not unanimous in regard to its impact on developed, developing and least developing countries at the global level. This paper attempts to examine causal relationship between Economic Growth, Exports and Trade openness of India during the post liberalization period(1996 - 2009)	1) Quarterly data have been used in the study which comprises of 52 observations. 2) To remove inflationary effects and exchange rate fluctuations on the data, GDP deflator has been used 3) Granger-Causality test in a multivariate Vector Auto-regression framework has been used to analyze the causal links and then the Phillips-Perron test (time series) has been used to examine whether a variable has a unit root or not. The null hyp. is that the variable contain a unit root and H1 is that a stationary process has generated the variable.	1) There exists a bi-directional causality between exports and economic growth. 2) Uni-directional causality among trade openness and GDP of India.
7	Prabir De & Chiranjib Neogi	Global Financial Crisis: Implications for Trade and Industrial Restructuring in India	2010	To understand India's emerging trade and industrial development in view of the change in international demand from advanced economies and the remedies need to be done in order to strengthen and enhance trade in India. Also, to find out the effect of change in trade on the industry at the product level.	1) Collapse of export, reversal of capital flows, weakening of market confidence, growth coming down in many countries, trade protection increased, unemployment rate, and anti-globalization sentiment 2) Calculated a composition change index (varying from 0 to 1).	1) CCI has responded significantly to the export to USA, Japan and EU during the crisis period. Thus, effect of shocks of Indian's exports to advanced economies during the crisis period has been transmitted to the Indian industry.
8	T.P Bhat	Structural Changes in	2011	To show the various structural changes which happened in	1) Secondary data only 2) Export %, import %, GDP growth	Finds out that India was always at an advantage in the production of labour-

		India's Foreign Trade		the trade regime of India from 1950's to 2010.	rate, export factor intensity, import factor intensity, composition of India's export and import, trade balance for the defined years.	intensive commodities and so the export share of labour and resource intensive manufactures increased rapidly from 27.8 per cent in 1975 to 55.9 per cent in 2000, and then though declined to 31.2 percent in 2006, but still remained the highest supplier to export
9	Amelia U. Santos Paulino	Trade specialization, export productivity and growth in Brazil, China, India, South Africa, and a cross section of countries	2011	The paper analyses the patterns of export productivity and trade specialization profiles in Brazil, China, India and South Africa, and in other economic groupings and regions.	Various measures of trade specialization and a time varying export productivity indicator are estimated using highly disaggregated export data.	The results further confirm the importance of not just the volume of exports, but the type of specialization patterns. The specialization patterns and an increasing higher value added of exports in developing countries, particularly in Brazil, China, India and South Africa, have important implications on productivity and growth. Empirical evidence implies that a country's pattern of specialization and exports could be as important as openness to international trade. A country's specialization pattern should reflect factor endowment, economies of scale, relative gap of factor productivity, or specific advantages of firms and industries. Some authors suggest that high export concentration is mostly determined by the dynamic growth of specialized exports -which tend to expand much faster than other exports.
10	Kulwinder Singh	Economic Reforms, WTO and India's exports: An Analysis	2012	1) To access the impact of economic reforms and WTO on India's exports 2) To analyze the growth, direction and structure of Indian exports during post reform period 3) To examine the export	1) Secondary data of 1991-92 to 2005-06	1) In comparison to the growth of world exports, this growth was relatively much higher in India 2) India's export registered low instability and high rate of growth during this period 3) Export instability was primarily due to quantity variables in case of

				instability in terms of commodities, markets and overall earnings. 4) To estimate price and income elasticities of demand of principal commodities of Indian export. 5) To access the competitiveness of the Indian exports. 6) To examine the relative export performance of India in context of world exports.		selected commodities 4) Relative prices of exports and income of the importing country have great importance in determination of quantity demanded for India's exports. 5) RCA and RSCA reveal comparative advantage for majority of selected commodities.

2.3 Small and Medium Enterprises in India

It has been found that exports had definitely enhanced and accelerated the development of India throughout the last decade. It is only through increasing competition in the economy and enhancing exports that India could target to have a higher GDP growth. Labour intensive sectors, being the competitive/comparative advantage of the Indian economy, the Government of India has accorded the SMEs to be a high priority sector because of its labour intensiveness, high employment generating capability and hence contributing to growth and exports of India.

The capability of the Indian SMEs to compete in international markets is reflected in its share of about 30% approximately in the national exports of India. Direct exports from the SME sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses or export houses. The contribution of the SME sector to export and hence to GDP has increased over the years in terms of values.

Table 2.2: *Share of SME in total export in India*

Year	Total Export (US $ Million)	Export from SME (US $ Million)	Share of SME export (%)
1981-82	8703.9	1296.9	14.9
1991-92	17865.4	4734.3	26.5
2001-02	43826.7	14941	34.09
2005-06	103090.5	33937	32.92
2011-12	305963.9	131564	43

Source: Reserve Bank of India, http://www.businessstandard.com/article/sme/msme-share-in-exports-was-43-in-2011-12-113060300986_1.html

The Small and Medium enterprises in India have a major role to play in the development and advancement of the nation through sustaining and enhancing their export contribution. The globalized era brings in stiff

competition to the SME sector. The new competition comes in terms of reduced cost, improved quality, products with higher performance, a wider range of products and better service, and all delivered simultaneously *(Dangayach and Deshmukh, 2001).* As a consequence, it is crucial to take a detailed look at the small scale sector in India as they are facing a number of difficulties and constraints to sustain their competitiveness.

The proportional growth in exports by SMEs that was expected to follow with liberalization policies like reduction in tariffs and the dismantling of quantitative restrictions did not really happen in India. Some of the policies introduced by the Government of India may, however, not been very helpful in increasing the efficiency of the units in this sector as the number of non-viable units keeps increasing steadily.

Is it because of?

a) Some kind of sickness or bad health the SMEs face due to certain inevitable reasons OR

b) The stiff competition which has come up due to Globalization

The *RBI* in the year *2002* came out with some guidelines in which it produced a new structured definition of a sick SME unit and along with it prescribed in depth rehabilitation norms. According to the document published by RBI, it is of utmost importance to take measures to ensure that sickness is arrested at the initial stage itself. The branch officials should keep a close watch on the operations in the account and take adequate measures to achieve this objective. The managements of the units financed should be advised about their primary responsibility to inform the banks if they face problems which could lead to sickness and to restore the units to normal health. The banks should therefore take a compassionate attitude and make every effort for rehabilitation, particularly wherever the sickness is on account of circumstances beyond the control of the entrepreneurs. However, in cases of SME units, which are not capable of revival, banks should try for a settlement and resort to other recovery measures.

The *Fourth All India Census of Micro, Small & Medium Enterprises (2006-2007)*, came out with the facts that among the 22.48 lakh enterprises were found relevant to MSME, 15.64 lakh units were found working, 4.96 lakh units permanently closed and 1.88 lakh units non-traceable. Data reveals that closure among MSMEs has gone down by about 17% and working unit's percentage has gone up by about 9% as compared to 3rd Census 2001-02.

With the sickness record gradually coming down, the focus turns towards the competitiveness of the SME units. The share of small industry in national income increased in the protection period of 80s but declined considerably in the transitional period of 90s, not only in terms of units and unemployment but also output. *Dr M H Bala Subrahmanya (2004),* in his paper "SMALL SCALE INDUSTRY IN INDIA UNDER GLOBALISATION: DOES SOLACE LIE IN TECHNOLOGY AND INNOVATION?" discusses this could be an indication that increasing competition in the globalization period does affect the growth of Indian small industry adversely. The paper finds the growth rate in unit, total production, employment and exports has been adversely influenced due to globalization. *Vinayak Uppal (2006)*, in his paper titled "The Small Scale Industry in India: An Analysis in the context of Liberalisation" finds that the concept of 'innovation' is nearly non-existent through any kind of R&D and that there is hardly any government support in this regard. Also, these SME units often lack the economies of scale required to undertake large marketing initiatives in order to face the problem of competition.

The Compound Annual Growth Rate (CAGR), with reference to export share and value of plant and machinery in SMEs for the pre-liberalization and post-liberalization period, as analyzed by *B S Bodla and Sushma Rani Verma (2008)*, in their paper "An Analysis of the Performance of SSIs in the Era of Globalization", reveals that the growth in the share of exports of SMEs in total exports of India was higher in pre-liberalization period than the post-liberalization period. The percentage share of SME sector in total bank credit and in total outlay of various five year plans has declined significantly and hence this sector grew at a rate half of the total industrial growth rate.

Nevertheless, other studies conducted to evaluate the performance of the Small and Medium Industries in the era of Globalization, have come up with some encouraging results as well. Results from the paper "Small-Scale Industries in Indian Economy: A Quantitative Appraisal" published by *Annapurna Dixit and Alok Kumar Pandey (2009)* reveal that marginal productivity of labor in SME's is positive and highly significant even after the liberalization period.

Prahlad Mishra and Brajaraj Mohanty, (2009) in their study titled "Factors Affecting Performance of Small Scale Manufacturing Units - A study of A Developing Industrial Cluster in Orissa" observes that there has been an overall growth in SME units during the time period 1991-2008, though there is a differential growth in the two sub-periods represented by 1991-2001 and 2001-2008 in terms of establishment of units, investment and generation of employment. Although the units on an average are operating with constant return to scale, the labour intensive units are performing better than the capital intensive units as exhibited by high input elasticities of wages. Moreover, the units which have strong forward linkages with large units are performing better than others.

Although in the same year, another study done at a different location within India by *Gautam Raj Kumar and Raghbir Singh* in *2009* named "Small-Scale Industries of Punjab: An Overview", discloses that the position of the SME sector is not very encouraging and that the main government institutions in the state are in a bad shape and are facing closure. Therefore, it is necessary for the government to provide infrastructure and incentives for the survival and growth of the sector.

The findings of *Rajesh K Singh, Suresh K. Garg and S.G Deshmukh, (2010)* in their paper "Strategy development by small scale industries in India" states that cost reduction, quality improvement, and delivery in time have emerged as major challenges for SMEs. Market research, welfare of employees, and research and development are found as major areas for investment and ultimately use of information technology, training of employees, and research

and development has significant relationship with performance of this sector. The paper also finds that SSIs have highest competitiveness at local level and lowest competitiveness at international level.

Since July 1991, reforms have altered the economic environment of the country. The outcome was that though productivity was slightly higher in the pre-reform period than in the post-reform period but technical efficiency is greater in the post-reform period *(Pradeep, Valarmathi; Chen, Jong-Rong, 2012)*

Therefore, different studies show that though Globalization has increased competitiveness in Indian SMEs to a certain extent; Indian SMEs are still not adequately prepared to compete with the global players. There has been a definite change in the attitude of the Govt. from protection to promotion of the global players as the Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes.

The SMEs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities *(Dr. J.Anuradha, 2014).* Her paper titled "Problems and Prospects of Micro, Small and Medium Enterprises In India in the Era of Globalization", comes across that MSMEs in India face a tough situation due to extreme competition from large industries owing to withdrawal of subsidy, lack of infrastructure, anti-dumping policy, challenges on product standardization, total quality management etc.

Most of the findings furthermore suggest that the government policies should try to make them more competitive and dynamic, rather than acting as a protecting rut. It is only through these initiatives and innovations that the SME sector can reconstruct the state of its export contribution to the nation and hence bring in growth through export expansion.

Summary:

SMEs are considered to be the engine of growth as they have the capability to increase the growth of the nation through exports and eradication of unemployment. Yet, looking into the Indian scenario, sickness and the lack of competitiveness amongst the Indian SMEs have been the most imperative issue around which many studies have evolved. A lot many papers were of the view that, though the government and RBI had taken up several measures to combat the problem of bad health prevalent amid the SMEs, the contribution of the said sector to the nation's growth in terms of export, unemployment and poverty reduction did not happen as expected. The studies also speak about how globalization has affected the competitiveness of the Indian SMEs at large. It comes out that, with the absence of strong R&D and innovations, the SMEs of India lack considerably in quality issues and barely possesses any form of economies of scale. Furthermore it is found that even though SMEs are improving on their competitiveness at the local level; their efficiency at the international level is the lowest.

However, studies have not focused on the outward looking exporting SME firms from India and the challenges faced by them. The papers mainly discuss about the competitiveness, strategies and hence the performance of the SME sector within India.

Table 2.3: *Literature for "Small and Medium Enterprises in India"*

Sl No.	Author	Title	Yr. of publication	Objective	Variables/ Model	Major Findings
1	RBI	Guidelines for Rehabilitation of Sick Small Scale Industrial Units	2002	1) To find out parameters on the basis of which a sick SSI unit can be defined. 2) To draw up a revised, detailed, transparent and non-discretionary guidelines for rehabilitation of current sick and potentially viable SSI units.	1) Detecting sickness: Substandard borrowed accounts, net worth, cash losses made, years of operation 2) Areas of relief: Interest due on cash credit and term loans, working capital, cash losses, funds for startup exercises, promoters contribution.	1) New definition of a sick SSI: If any of the borrowed accounts of the unit remains substandard for more than six months OR There is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent of its net worth during the previous accounting year AND the unit has been in commercial production for at least 2 years. 2) 3 points of rehabilitation norms.
2	Dr M H Bala Subrahmanya	Small scale industry in India under globalisation: does solace lie in technology and innovation?	2004	1) Why should global and national policy developments affect small industry in India? How? What are its implications? 2) How far small industry has been able to cope up with the competitive environment? What was its growth performance in the last decade? How different was it as compared to the earlier decade? 3) What are the future prospects of small industry in India in the	1) The growth and performance of small industry in terms of units, employment, output and exports in the 1990s with that of the 1980s has been compared 2) The change in small industry's relative contribution to GDP, exports and organized sector employment in the 1990s with that of the 1980s have also been compared. 3) To analyze the influence of globalization on the growth of small industry units, employment, production and exports, linear least square lines have been fitted based on the time series data for	1) The growth of small industry in the transitional period of 1990s has come down in terms of not only units and unemployment but also output. This could be an indication that increasing competition in the globalization period does affect the growth of Indian small industry adversely. However, the growth rate of exports has actually increased marginally. 2) The share of small industry in national income increased in the protection period of 80s but declined considerably in the transitional period of 90s. The shares of small industry in exports and employment in relation to organized sector employment have consistently

				era of globalisation? What steps need to be taken to strengthen small industry to ensure its sustained contribution to Indian economy	the periods 1978/79 to 1990/91 (pre-globalization period) and 1990/91 to 2002/03 (globalization period).	increased both in the protection period and in the transitional period. 3) Growth rate in unit, total production, employment and exports has been adversely influenced due to globalization.
3	Vinayak Uppal	The Small Scale Industry in India: An Analysis in the context of Liberalisation	2006	1) This paper attempts to look into some of the problems of the SME sector in India. 2) The paper focuses largely on the issue of Government policy as it is difficult to have any discussion on the small scale sector in the Indian context without analyzing the effect of the policies that surround it.	1) Growth, employment and efficiency situation in the small sector 2) Origins and Nature of Govt. Policies, Reservation of Production Lines and Effect on Exports, credit market, labour skills and pollution standards, marketing and R&D.	The study found that most small firms undertake R and D to keep up with or overcome competition- the concept of 'innovation' being nearly non-existent. Another point that seems to stand out from the study in Karnataka is that the units that have undertaken R and D have done so with little or no support from the government. One of the most difficult challenges that small scale units face is marketing their products effectively. These units often lack the economies of scale required to undertake large marketing initiatives.
4	B S Bodla and Sushma Rani Verma	An Analysis of the Performance of SSIs in the Era of Globalization	2008	To analyze whether the new economic order has had a positive or negative impact on the performance of SSIs in India.	Compound Annual Growth Rate (CAGR), with reference to the number of units, employment level, production, export share and value of plant and machinery in SSIs were calculated for the pre-liberalization and post-liberalization period.	1) Growth in the share of exports of SSIs in total exports of India was higher in pre-liberalization period than the post-liberalization period 2) The percentage share of SSI sector in total bank credit and in total outlay of various five year plans has declined significantly. 3) Moreover, this sector is growing at a rate half of the total industrial growth rate.
5	Annapurna Dixit and Alok Kumar	Small-Scale Industries in Indian Economy: A	2009	To evaluate the performance of the Small-Scale Industries (SSI) as	1) The average annual growth rates of total production, exports, employment and	Results reveal that marginal productivity of labor in SSI is positive and highly significant during

	Pandey	Quantitative Appraisal		well as productivity of labor and capital in this sector, for the period 1973-2006.	investment in the SSI and the number of SSI units during the period 1973-2006 are estimated using the OLS method on the time series data. 2) The average annual growth rates for the sub periods, 1973-80, 1981-90, 1991-2000 and 2001-2006, are estimated by incorporating slope and intercept dummy variables. 3) The paper also estimates the marginal productivity of labor and capital in the SSI sector.	the study period.
6	Prahlad Mishra and Brajaraj Mohanty	Factors Affecting Performance of Small Scale Manufacturing Units - A study of A Developing Industrial Cluster in Orissa	2009	Examines the growth of the SSIs in Orissa in terms of investment and generation of employment in the LPG era beginning 1990-91 and highlights the performance of the SSI manufacturing units in an industrial cluster in terms of backward and forward linkages and labour intensiveness of the units.	Have measured the growth of SSI's with the number of units, investments done by them and employment generation.	1) It is observed that there has been an overall growth of the SSI in the time period 1991-2008, though there is a differential growth in the two sub-periods represented by 1991-2001 and 2001-2008 in terms of establishment of units, investment and generation of employment. 2) Although the units on an average are operating with constant return to scale there is a difference with respect to the two groups of SSI manufacturing units. 3) The labour intensive units are performing better than the capital intensive units as exhibited by high input elasticities of wages. 4) Moreover, the units which have

						strong forward linkages with the large units are performing better than others.
7	Gautam Raj Kumar; Raghbir Singh	Small-Scale Industries of Punjab: An Overview	2009	1) To study the performance of the small-scale sector of Punjab as Small-Scale Industries (SSIs) are significantly contributing to the economy of Punjab. 2) Shows a comparison of the SSI sector with the total industrial sector of Punjab.	1) The year-wise growth trends in SSIs in terms of the number of units, employment generation, fixed investment, production and exports. 2) Secondary data study	1) The position of the SSI sector is not very encouraging in the state. 2) The main government institutions in the state are in a bad shape and are facing closure. Therefore, it is necessary for the government to provide infrastructure and incentives for the survival and growth of the SSIs.
8	Rajesh K Singh ; Suresh K. Garg; S. G Deshmukh,	Strategy development by small scale industries i n India	2010	To examine various issues in context of Indian SSIs such as nature of pressures and constraints, competitive priorities, competencies development, areas of investment, and their relationship with performance.	1) A questionnaire-based survey was conducted. In total, 75 valid responses were received. 2) Statistical analysis of data acquired from survey is done by reliability test, *t*-test, and correlation analysis. 3) Hypothesis: a) H0: The degree of emphasis that SSIs place on different areas of investment is positively correlated with their performance and competitiveness. b) H0: Subjective and Objective performances are positively correlated with competitiveness c) H0: Subjective performance is correlated	1) Cost reduction, quality improvement, and delivery in time have emerged as major challenges for SSIs. 2) Market research, welfare of employees, and research and development are found as major areas for investment. 3) Use of information technology, training of employees, and research and development has significant relationship with performance. 4) Indian SSIs have cost advantage in comparison to their global competitors. 5) SSIs have highest competitiveness at local level and lowest competitiveness at international level. 6) Application of IT, training of employees and research and development are significantly

					with objective performance	correlated with competitiveness.
9	Pradeep, Valarmathi; Chen, Jong-Rong	Measuring productivity growth, efficiency change and technical progress in small scale firms in India during pre and post-reform periods	2012	Examines the productivity, efficiency change and technical progress of small manufacturing firms in Coimbatore, India.		Since July 1991, reforms have altered the economic environment of the country. The results reveal that productivity and technical progress was slightly higher in the pre-reform period than in the post-reform period but technical efficiency is greater in the post-reform period.
10	Dr. J.ANURADHA	Problems and Prospects of Micro, Small and Medium Enterprises (Msmes) In India in the Era of Globalization	2014	1) To examine the changing pattern of definition of the Micro, Small and Medium Enterprises 2) To analyze the impact of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 3) To analyze the opportunities and threats of MSMEs in India during the liberalization period 4) To analyze the performance of MSMEs in India during the pre and post liberalization period. 5) To reveal the contribution of MSMEs to the growth of the GDP	1) Data used in the study are secondary in nature and mostly collected from the Annual Reports published by the Ministry of Micro, Small and Medium Enterprises. 2) The study covers a period from 1973-74 to 2009-10. 3) Variables: No. of units, production, employment and export	1) Though Globalization has increased competitiveness in Indian MSMEs to certain extent, still Indian MSMEs are not adequately prepared to compete with the global players. 2) There has been a definite change in attitude of the Govt. from protection to promotion of the global players. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. 3) The MSMEs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities.

2.4 Exporting SMEs round the world

The small and medium scale sector is considered as the engine for economic growth for developed as well as developing countries. In most of the countries these sectors are mostly labour intensive and the labour intensive units are better performers than their capital-intensive counterparts. However due to liberalization adopted by most of the nations, the SME sector is facing stiff competition throughout. According to *Samuelson and Nordhaus (2001)* competitiveness refers to the extent to which a nation's goods can compete in the market place, which largely depends on the relative prices and quality of domestic vis-a-vis foreign goods and services. In addition, globalization involves the diffusion of ideas, practices and technologies. Choosing not to participate in global markets is no longer an option. Therefore, all firms must anticipate, respond and adapt to the competitive environment of the global world and the SME sector being the backbone of any nation, is no exception. This becomes all the more relevant for SMEs which are outward looking, and contributes to the export performance of the nation.

As a consequence, looking at the significant role SMEs play in the economic upliftment of a nation through its export contributions, the central issue of concern is how to strengthen its competitiveness so that it can thrive steadily on its own internal potential and overcome the bottlenecks arising due to globalization. A number of studies have been done throughout the world to examine and understand the determinants of competitiveness and other key success factors that ensure the survival of SMEs in this highly demanding international trade arena.

Yasar Mahmut (2002) in his study "A causal relationship between exports and productivity at the plant level – Turkey" investigated the relationship between exports and productivity growth for the textile, apparel and motor vehicle SMEs in Turkey. The study uncovers exports to significantly affect the total factor productivity level and hence is one way of transferring technology from abroad to the domestic industries. Also, the exporting plants have significantly higher levels of productivity and levels of output compared to non-exporters.

The exporters also produce more output per employee, invest more heavily, pay substantially higher wages and employ more.

On a broader note, Leonidas C Leonidou in 2004, in his paper “An Analysis of the Barriers Hindering Small Business Export Development”, analyzes the numerous constraints and barriers a small sized organization faces during their internationalization path. This article offers a comprehensive analysis of 39 export barriers, classified into internal (incorporating informational, functional, and marketing factors) and external (comprising of procedural, governmental task, and environmental factors) barriers. The data has been extracted from a systematic review of 32 empirical studies conducted on the subjects. Results show that the impact of export barriers is situation specific, largely depending on the idiosyncratic managerial, organizational, and environmental background of the firm. However, certain barriers, such as those relating to information inefficiencies, price competitiveness, foreign customer habits, and political- economic hurdles, seem to have a systematically strong obstructing effect on export behavior.

The empirical study on Finnish SMEs, including both traditional exporters and international companies, by *Jorma Larimo (2006)*in her paper “Different Types of Exporting SMEs: Similarities and Differences in Export Performance”*,* comes out with the facts that export performance is positively impacted by firm size, product/service quality, international orientation, and market diversification. Results also showed that good export performance by SMEs usually requires a bigger size from company in order to have enough financial and managerial resources for successful export entry and expansion. However, along with market spreading and diversification, product adaptation also seemed very important for rapid growth and extension.

A similar kind of study on Spanish SMEs (family businesses and otherwise) were carried out by *Rubén Fernández Ortiz, José Ignacio Castresana Ruiz-Carrillo, Cuadernos de Gestión (2005)* in their paper “Managerial and learning skills in exporting SMEs”, to find the extent to which managerial perceptions of exports affects the decision to export and their commitment to exports.

Exports especially would be badly hit if no firm would be able to gather the experience needed in the home market to exploit the global market. An important and common factor in the economies of the East Asian 'Tigers' was a clear trend where the initial engine of growth seems to be low-tech, labor intensive exports products and this labour abundance was transformed into large gains in collective efficiency and flexibility through participation in clusters *(Ganeshan Wignaraja, 2007).* Apart from the gains coming out from the clusters, *Wignaraja* who studied the APO member countries, in his paper "High-growth, Innovative Asian SMEs for International Trade and Competitiveness: Challenges and Solutions for APO Member Countries", also states that the firm's own capacity for continual learning to increase the managerial and technical expertise for innovation and growth is also very crucial. He even prescribed consulting roles within the organizations so as to develop SMEs for deeper innovations.

Brouthers, Lance Eliot, Nakos, George, Hadjimarcou, John and Brouthers, Keith D, (2009) worked with samples taken from small firms of Greece and Caribbean countries in their paper "Key Factors for Successful Export Performance for Small Firms", and showed that greater a firm's concentration of export sales in a single foreign market, the greater is its export performance. Also, even if small firms have limited resources and greater risks, firms should emphasize on international sales while restricting exports to few foreign markets.

But, as per the above paper, if small firms should only concentrate in fewer foreign markets, does that mean there should not be any active need for marketing or promotional activities for exporting SMEs?

Joan Freinanet (2012), in her study "Export Promotion programs: Their impact on companies' internationalization, performance and competitiveness" evaluates the collective effects of export promotion programmes in export performance, considering a variety of impact dimensions and also includes a broad representation of companies according to their level of export involvement. She finds that for starting/passive exporters, use of direct

promotion programs, information, and assistance in starting exporting and financial aid programs is positively related with the export performance measurements. For regular exporters with a complete export structure, the use of direct promotion programs, information or investment support programs is correlated with a higher number of export markets

Consequently, the different studies done in different parts of the world comes up with a number of parameters required for the exporting SMEs to sustain their competitiveness. On one hand we would find that some of the factors viz. firm–size, market diversification, promotional activities are interrelated and interconnected; on the other hand disparate research findings such as relationship between export performance and market diversification and high export performance due to restricting exports to few foreign markets, are conflicting.

Nevertheless, continuous learning and innovations, either through inter-firm knowledge transfer and experiential learning from the presence of an environment of a cluster or through an individual firm-level effort is an absolute necessary. *Lopez Lira Arjona (2013)* finds in her study “Inter-firm knowledge transfer and experiential learning - SME's absorptive capacity”, that there is a positive effect of the MNC as a knowledge transferor on an SME's knowledge acquisition, assimilation, transformation and exploitation capabilities. It increases awareness of opportunity areas within each SME and provides a transformed business vision towards achieving sustainable business practices.

Subsequently in the changing scenario of globalization and liberalization, it is crucial to take a long and hard look at the exporting SME sector in India and find out whether the above mentioned determinants for sustaining competitiveness are present here. Or is it something different?

Summary:

In order to survive and be effective in this era of globalization, the SMEs should change, respond and adapt to the challenging global environment. A

number of studies done throughout the world have determined certain factors which help to create and sustain the competitiveness of the outward looking SMEs. Some of the parameters which have been observed to enhance the export performance for the SME sector are its firm size, product quality, market diversification and strong promotional activities. Few studies have even come out with some contradictory results stating that market concentration to fewer export markets provides the SMEs with a better export performance. One such study had clubbed certain factors like information, functional, and marketing as internal barriers and then procedural, governmental tasks and environment as external barriers to export stimulus. Subsequently the most important factor which comes out to be an essential component for the competitiveness of the exporting SME firms is the continuous learning to increase their managerial and technical efficiency. Continuous learning and innovations, either through inter-firm knowledge transfer and experiential learning from the presence of an environment of a cluster or through an individual firm-level effort is an absolute necessary.

Nevertheless, the next section of the literature review looks into similar studies on the outward looking SMEs of India to find out how they are adapting to the pressures of globalization and what are the prime factors through which they can enhance their competitiveness and contribute more to the export of the nation.

Table 2.4: *Literature for "Exporting SMEs round the world"*

Sl No.	Author	Title	Yr. of publication	Objective	Variables/ Model	Major Findings
1	Yasar Mahmut	A causal relationship between exports and productivity at the plant level - Turkey	2002	The overall research objective of this study is to properly investigate the reasons behind the change in the growth rate of exports through the measurement of productivity growth and export growth for the textile, apparel and motor vehicle industries in Turkey. 1) To investigate whether the productivity growth rates significantly changed from 1987-1997 2) To examine the way in which the industry level productivity changes are influenced by resource re-allocation and plant entry-exit 3) To determine what plant characteristics in these industries have a significant impact on productivity	1) The study deals with unbalanced panel data of all the three industries and then compares the performance indicators of exporters and non-exporters and investigates the relationship between productivity and exports. 2) Variables taken from the plant level data are: output, capital, labour, energy, material inputs, investments, depreciation funds and export levels.	1) Exports significantly affect the total factor productivity level and hence is one way of transferring technology from abroad to the domestic industries. 2) The exporting plants have significantly higher levels of productivity and levels of output compared to non-exporters. The exporters also produce more output per employee. They invest more heavily, pay substantially higher wages and employ more. 3) However, the textile and motor vehicles industries made more efficient use of their inputs than the apparel industry.
2	Leonidas C. Leonidou	An Analysis of the Barriers Hindering Small Business Export Development	2004	To analyze the numerous constraints and barriers a small sized organization faces during their internationalization path.	This article offers a comprehensive analysis of 39 export barriers extracted from a systematic review of 32 empirical studies conducted on the subject. These have been classified into internal (incorporating informational, functional, and marketing) and external (comprising	The impact of export barriers is shown to be situation specific, largely depending on the idiosyncratic managerial, organizational, and environmental background of the firm. However, certain barriers, such as those relating to information inefficiencies, price competitiveness, foreign customer habits, and politico economic hurdles, seem to have a

					procedural, governmental, task, and environmental) barriers.	systematically strong obstructing effect on export behavior. Several conclusions and implications for small business managers, public policymakers, business educators, and exporting researchers are derived.
3	Jorma Larimo	Different Types of Exporting SMEs: Similarities and Differences in Export Performance	2006	1) To analyze the impact of firm management, and export strategy-related variables on the export performance 2) The possible variation in the results depending on the measure of export performance; and 3) The similarities and differences in the results depending on the type of SME – traditional exporters vs. born international companies.	1) The empirical part of the study is based on a survey conducted among Finnish SMEs 2) The export performance was analyzed using six different types of performance measures.	It was found that the export performance was positively impacted by firm size, product/service quality, international orientation, and market diversification along five measures.
4	Rubén Fernández Ortiz, José Ignacio Castresana Ruiz-Carrillo, Cuadernos de Gestión	Managerial and learning skills in exporting SMEs	2005	1) To find the extent to which managerial perceptions of exports affects the decision to export 2) For these SMEs which are already exporters, we study the managerial perceptions that can help to consolidate their commitment to exports.	Some scales based on structural equations to measure the perception of the advantages and disadvantages of exporting are developed and validated. Both analyses are carried out considering whether the SMEs involved are family businesses or not, so that the results obtained can also explain the potential impact of this fact.	The paper finds that whatever may be the type of the SME, i.e. family owned or otherwise, continuous learning is a basic necessity for every firm. This managerial learning gained changes the perception to the export behaviour of the firms.
5	Ganeshan Wignaraja	High-growth, Innovative Asian SMEs for International Trade and	2007	To examine and understand the determinants of competitiveness and other key success factors that ensures the survival of SMEs	Purely on secondary, qualitative data	1) To access to the available store of knowledge, including that of a market, marketing and technology variety.

		Competitiveness: Challenges and Solutions for APO Member Countries		in the highly demanding international trade arena.		2) Large gains in collective efficiency and flexibility through participation in clusters. 3) Firm's own capacity for continual learning for innovation and growth. 4) Increase the managerial and technical expertise (such as consultants role) to develop SMEs for deeper innovations.
6	Brouthers, Lance Eliot; Nakos, George; Hadjimarcou, John; Brouthers, Keith D.	Key Factors for Successful Export Performance for Small Firms	2009	Employing the Internationalization process theory and organizational learning theory, to find out: Given the comparative limited resources and greater risks involved for small firms, how much international should a small firm become after it decides to export.	1) Ho: small firms are better off following the classic IP model, wherein they expand slowly and incrementally and restricting the foreign markets they enter. 2) Ho: focusing on few export markets enables a small firm to develop expertise in those markets (building strong distribution network and managing their export activities effectively) and hence result in superior export performance 3) Sample taken from small firms of Greece and Caribbean countries.	1) Firms should emphasize international sales while restricting exports to few foreign markets 2) Greater a firm's concentration of export sales in a single foreign market, the greater is its export performance.
7	Rahpoto, Muhammad Saleem; Shaikh, Faiz Muhammad	Export Potential of Pakistan's SMEs Compared to Developing Countries	2011	1) To analyze the importance of SMEs in economic development in general, w.r.t the export performance in general 2) To analyze the export potential of Pakistan's SME's compared to other developing countries.	1) Data collected from 100 SMEs through structured questionnaire 2) secondary data for developing countries 3) Gen-Stat software used.	1) Pakistan's SMEs have a huge scope to increase its export growth (by almost 60%) as compared to other developing nations like Thailand, Malaysia etc. 2) Immense strategic planning is needed for increasing exports through SMEs.

8	Leonidas C. Leonidou	Factors Stimulating Export Business: An Empirical Investigation	2011	The paper empirically investigates the export stimulating behaviour of small manufacturers.	Works on the behaviour of Cypriot manufacturers where the export stimuli were characterized into eight meaningful groups using factor analysis, keeping the managerial and enterprise stimulus as the most significant one.	Both organizational and internationalization had a weak effect on the export stimulating factors. One common finding which came out was that the managers who adopt an aggressive, systematic and programmatic approach to export are successful in their internationalization path.
9	Joan Freinanet	Export Promotion programs: Their impact on companies' internationalization, performance and competitiveness	2012	1) Evaluates the collective effects of EPPs in export performance, considering a variety of impact dimensions, while differentiating the individual effects of each program. 2) Also includes a broad representation of companies from a variety of industries and levels of export involvement	1) H0: For starting/passive exporters, use of direct promotion programs, information, and assistance in starting exporting and financial aid programs is positively related with the export performance measurements. 2) H0: For regular exporters with a complete structure, the use of information, direct promotion and consultancy programs, is positively related to improvements in export profitability, export planning and market diversification. 3) The relationship between the use of each program and the different impact measures was examined through bivariate correlations.	1) There is a positive relationship between size (both as measured by Annual Sales and by Number of Employees), and Export Involvement. 2) Starting exporters experience positive correlations with a high number of impact measures. In fact, this is the group, together with exporters in stage 2, which has the highest number of positive relations. 3) For regular exporters with a complete export structure, as expected, the use of direct promotion programs, information or investment support programs is correlated with a higher number of export markets Furthermore, the use of direct promotion or information programs is positively associated with the creation of a sales network in the foreign markets.

2.5 Exporting SMEs of India

Although SMEs are playing an increasingly important role in the process of export led growth, a dualistic pattern is visible in developing countries. Dynamic SMEs have expanded their existing domestic market shares, broken into new export markets and continuously upgrading their products and processes. East Asian developing countries seem to have a higher proportion of dynamic SMEs in their SME base than other developing regions. In contrast, the majority of SMEs in developing countries (particularly in Sub-Saharan Africa) have been slow to reap the benefits of globalization. They have not made the requisite investments in export capabilities nor have they attempted to engage in industrial clustering and their export performance has suffered as a result *(Ganeshan Wignaraja, 2003)*. India lies somewhere in between and hence have a high scope to make its SME sector more dynamic and active to bring about export led growth.

T.A Bhavani and Suresh D. Tendulkar (2001) in their paper "Determinants of firm-level export performance: a case study of Indian textile garments and apparel industry", studies the Indian textile garments and apparel industry and identifies variables affecting: (a) the export decision function, i.e. to export or sell in domestic market, and (b) the export performance function. The paper reveals that the form of business organization and its access to capital turns out to be a key determinant in both the functions. The estimated marginal impact of economies of scale and share of sales expenses on the probability of exporting declines sharply, when moving from single proprietorship to partnership and on to limited companies. On the other hand parameters like scale, share of wages, share of sales expenses and technical efficiency has been found to have an increasing marginal impact on export performance.

M.H. Bala Subrahmanya (2007) traced the scope and dimensions of global opportunities that emerge in the era of globalization through the rapid growth of transnational corporations (TNCs), which Indian small to medium-sized enterprises (SMEs) can exploit, with a particular focus on their export

performance. The study titled “Development strategies for Indian SMEs: promoting linkages with global transnational corporations”, finds although the growth of the SME sector in India has slowed in terms of the number of enterprises, level of people employed and production, SSI export performance has been impressive in the globalization period as the sector has grown more towards the international market than the domestic market in the globalization era. The paper discusses globalization has offered new markets to SMEs primarily through two major developments: the adoption of a complex integration strategy by TNCs for their production network, and the global procurement strategies and global expansion of TNC supermarket chains. In the current competitive economic environment, it would be appropriate for SMEs to adopt a dual strategy to exploit the global opportunities:

(1) First a vertical integration with TNCs located within India as well as abroad (for the production of intermediate goods).

(2) Second, horizontal cooperation (commonly referred to as clustering or networking) with other Indian SMEs to cater to the large demand from TNCs for consumer goods.

Keshab Das and Jaya Prakash Pradhan (2010), in their paper “EXTERNALLY-ORIENTED SMALL AND MEDIUM ENTERPRISES IN INDIA: PREDICAMENT AND POSSIBILITIES”, has focused on issues relating to external orientation of SMEs and a few important business risks faced by them during the recent years. The paper finds that though there has been a rise in the value of exports from the small enterprise sector, both in current prices and dollar terms, over the period 1990–2006, the trend of annual growth rates of the values (drawn separately in rupee value and corresponding dollar value) for the period reveals a disturbing scenario. Not only that the values have vacillated wildly but also, in certain years, the dollar values have fallen far below those in rupee terms. Apart from the unimpressive growth rates, there has hardly been any notable diversification in the product profile. The paper in this context upholds certain facts such as absence of building technological capabilities, inability to have an adequate

protection plan, excessive dependence on single major buyer, fluctuations in input prices, ignorance about environment friendly practices to be the major factors behind such performance.

Summary:

This section starts off with studies discussing about the dynamic SMEs in some countries bringing about export led growth in their nations on one hand; and on the other about those SMEs which are yet to improve their export capability and export performance. India lies somewhere in between and hence have a high scope to make its SME sector more dynamic and active to bring about export led growth. Some papers actually find that the export capability among the SMEs in India has actually enhanced and this is because of the positive effects of globalization. It has also been observed that in India though the contribution of exports has increased from the SME sector as a whole, the rate of increase is not at all noteworthy but worrying instead. Papers have found that some of the factors responsible for this impeding growth rate are absence of strong technological competency, increased input prices and absence of market diversification as well. There is a need for environment friendly practices which can only develop through strengthening different forms of clustering activities.

One study specifically has taken up the textile and the apparel sector of India and has come up with the fact that parameters like economies of scale, share of wages and technical efficiency have an increasing marginal impact on export performance. However, apart from this paper, taking up specific cases and sectors where the Indian economy has comparative advantage in (such as the leather and leather footwear sector) and studying about their exporting SMEs have not been done separately.

Table 2.5: *Literature for "Exporting SMEs of India"*

Sl No.	Author	Title	Yr. of publication	Objective	Variables/ Model	Major Findings
1	Bhavani, T. A.; Tendulkar, Suresh D.	Determinants of firm-level export performance: a case study of Indian textile garments and apparel industry	2001	Drawing on international trade and industrial organization theories, this paper identifies variables affecting: (a) the export decision function, i.e. To export or sell in domestic market, and (b) the export performance function, i.e. the share of exports in output.	1) These functions are estimated for Garment and Apparel producing units in Delhi. 2) Variables: Scale of operation, capital–labour ratio, (partial) labour productivity, average (skill adjusted) wage rate and factor shares.	The form of business organizations access to capital turns out to be a key determinant in both functions. The estimated marginal impact of identified variables (scale and share of sales expenses) on the probability of exporting declines sharply when moving from single proprietorship to partnership and on to limited companies. On the other hand, every single determinant (scale, share of wages, share of sales expenses and technical efficiency) has been found to have an increasing marginal impact on export performance.
2	Hemant Verma	Enhancing Export Competitiveness of Indian SMEs through ICT	2005	Examining the awareness, access, adoption and advantage aspects of ITC application in SME industry segments (Auto components, Garments, Drugs and Pharmaceuticals and Leather) and suggesting appropriate intervention strategy on ICT application to strengthen their business performance.	Number (and %) of small and medium enterprises in the four stages of ICT (Basic Infrastructure, Functional Automation, Business Automation and Business Integration) in the four different industry sectors.	1) Snapshots of those percentages have been presented. 2) The snapshots indicate that there is tremendous scope within Indian SMEs for strategically deploying ICT and get transformed to take global leadership position.
3	M.H. Bala Subrahmanya	Development strategies for Indian SMEs: promoting linkages with global transnational	2007	To trace the scope and dimensions of global opportunities that emerge in the era of globalization through the rapid growth of transnational corporations (TNCs), which Indian small to	Based on secondary data, the growth of SSIs is analyzed and the scope of global opportunities for Indian SMEs is explored.	1) Although the growth of the SSIs segment of the SME sector in India has slowed in terms of the number of enterprises, level of people employed and production, SSI export performance has been impressive in the globalization period.

		corporations		medium-sized enterprises (SMEs) could exploit, , with a particular focus on their export performance.		2) The SSI sector has grown more towards the international market than the domestic market in the globalization era. 3) Globalization has offered new markets to SMEs primarily through two major developments: the adoption of a complex integration strategy by TNCs for their production network, and the global procurement strategies and global expansion of TNC supermarket chains.
4	Keshab Das; Jaya Prakash Pradhan	Externally-oriented small and medium enterprises in india: predicament and possibilities	2010	Discuss about the emerging challenges faced by the Indian SMEs engaged in the process of internationalization during the difficult times of global financial crisis.	An exploratory analysis, done through secondary research	The paper has focused on issues relating to external orientation of SMEs and a few important business risks faced by them during the recent years. Though there has been a rise in the value of exports from the small enterprise sector, both in current prices and dollar terms, over the period 1990–2006, the trend of annual growth rates of the values (drawn separately in rupee value and corresponding dollar value) for the period reveals a disturbing scenario .Not only that the values have vacillated wildly but also, in certain years, the dollar values have fallen far below those in rupee terms. Apart from the unimpressive growth rates, even there has hardly been any notable diversification in the product profile.The paper in this context upholds certain facts such as absence of building technological capabilities, inability to have an adequate protection plan, excessive dependence on single major buyer, fluctuations in input prices, ignorance about environment friendly practices

2.6 SMEs in the leather sector – footwear in particular

Like any other economy, the Indian economy also witnessed higher GDP growth by increasing competition in the economy and enhancing exports. It has been found that exports had definitely enhanced and accelerated the development of India throughout the last decade. It is only through increasing competition in the economy and enhancing exports that India could target to have a higher GDP growth. Now, to enhance export, the country's pattern of specialization is as important as being open to international trade *(Amelia U. Santos-Paulino, 2011)*. High export concentration is mostly determined by the dynamic growth of specialized exports, which tends to expand much faster than other exports. India being a labour abundant country, its competitive advantage lies in labour intensive export products. SME is that sector which is labour intensive and can generate huge employment in India. As a consequence, it is the highest contributor to Indian exports and holds a strategic position.

The leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. There has been an increasing emphasis on its planned development, aimed at optimum utilization of available raw materials for maximizing the returns, particularly from exports. SMEs play a vital role in the export of leather and leather footwear as around 60-65% of the exports are contributed by this segment and also SMEs comprises of 80% of the leather footwear units. However, due to a number of reasons in this globalized era, there lacked consistency in the supply of exports from SMEs in the leather segment. The share of leather and leather products to the Indian export basket has reduced from 4.73% in 2001 to 1.68% in 2012 (Foreign Trade Performance Analysis, Department of Commerce, 2012). Today SMEs in India are grappling with fast changes at the market place that is transiting from a controlled economy to a free market set-up.

According to a new ITC market study, an increasing portion of leather and leather footwear in particular, is supplied by developing countries. Leather

and leather products remains to be consumed in large capacities in developed countries like the USA, Europe, Australia and Japan. But gradually from the 1970's and then gradually to the late 1980's there were close down in the factories of the developed countries due to rising wage levels. There is hardly any footwear produced in US and more than 80% of EU's demand of leather footwear is imported from the developing countries. A growing number of developing countries are successfully exporting leather footwear to the major markets. Shoes produced in Latin America, Africa and Asia is now found in shops across Europe and North America. Some of the suppliers to these outlets are the small and medium-size companies of the developing countries that have succeeded in penetrating the market through carefully planned export operations. India too has been increasing its export but not at rates comparable to what the South Asian countries have been able to achieve.

The leather sector in different economies

Consequently, studies related to the competitive challenges and opportunities present in the leather sector for countries having a comparative advantage in leather has been carried out. *Dadaglio Giovanni (2003)*, in his paper "Africa Positions itself for the Global Leather Market", discusses about the African leather gap, wherein he finds that despite its significance as a livestock producer, Africa accounts for only 8% of world's production of cattle hides and about 14% of goat and sheepskins. Another hindrance faced by the nation is high tariffs charged on leather and leather products which are exported from Africa to emerging countries like India (45%), Mexico (34.8%) and China (25%). Although, EU, the main export market of Africa, charges relatively lower tariffs (5-7.7%) but these preferences, however, are being progressively eroded by bilateral free trade areas that EU countries are negotiating with a growing number of trade partners outside ACP countries.

Conversely, there are even studies which advocate the opportunities and successful developments of the leather industry in a country.

Cheng, Chih-Peng (2007), in his study “THE GROWTH AND TRANSFORMATION OF CHINESE FOOTWEAR PRODUCTION: THE POLITICAL ECONOMY OF A GLOBAL INDUSTRY”, examines the formation and transformation of the Chinese export-led footwear industry from a political-economic perspective. The paper elaborately discusses how the Taiwanese producers developed alliances with local political officials and with this local political support, transformed China into the leading footwear producer in the world. It was also found that it was not the price mechanism coming out of cheap labour that made China the ruler for footwear exports but was the theory of "embeddedness" wherein the strong network between the firms made the sector hugely competitive.

The paper by *Sonobe Tetshushi (2009)*, “An exploration into the successful development of the leather shoe industry in Ethiopia”, explores into the successful development of the leather shoe industry in Ethiopia. A major finding of the paper is that the growth of this industry was driven initially by the massive entry of new enterprises established by former employees of the existing shoe factories but more recently by the growth in enterprise sizes due to improvements in the quality of products, marketing, and management. These highly educated entrepreneurs introduce new ideas on product design, production methods, labor management, marketing, and procurement because they face fierce competition from a swarm of micro enterprises, which can enter the market with little investments.

The World Footwear Yearbook *(2011),* by *APICCAPS (Portuguese Footwear, Components, Leather Goods Manufacturers’ Association)*, comes up with a number of interesting facts. Asian countries were exporting footwear at a stable average price of approximately 4USD throughout the decade but the average price charged by Europeans increased from 15 to 23 USD. EU focuses on high price market segment. Europe is also the continent that pays the highest average price for imports, followed by North America. Average price charged for leather footwear by the Asian competitors are: China - $10.57, Italy - $52.58, Vietnam - $29.47, India - $14.05 (Year 2010).

ITC, Geneva report (2011), analyzes the different importing and exporting countries and their shares in leather and leather products in the Global Trade.

Table 2.6: *Competitors export share of leather footwear to world import (2010)*

Country exporting leather footwear	2010 (Value in million US$)	% share
China	10451.19	21.6
Italy	7161.33	14.8
Hong Kong	3668.44	7.5
Germany	2086.63	4.3
Belgium	1856.64	3.8
Vietnam	2482	5.1
Spain	1598.35	3.3
Portugal	1528.06	3.1
India	1460.42	3.0

Source: *ITC, Geneva report (2011)*

Table 2.7: *India's export share of leather footwear to world import (2006 - 10)*

Value in US Million $	2006	2007	2008	2009	2010
World Import	44824.69	48405.58	51676.38	43117.20	48360.36
India's Export	974.33	1174.03	1244.48	1255.04	1460.42
% Share of India	2.17%	2.43%	2.41%	2.91%	3.02%

Source: *ITC, Geneva report (2011)*

The data clearly shows the crisis and the setback of the Indian economy with respect to export of leather and leather footwear, as for a decade the share to world export is hovering around 2-3%. Accordingly, couple of papers has been developed on the challenges and opportunities of the said sector in India.

The leather and leather footwear sector in India

ICRA Advisory Services (2004), in their paper "Competitiveness of the Indian footwear Industry", have studied the competitiveness of the overall Indian footwear industry. Findings tell us 95% of the total tanneries in India are in SMEs. Hence most tanneries are unable to modernize technology which adversely affects quality, quantity, pollution norms and timely delivery. They cannot process large hides due to machine capacity constraints and so India exports shoe uppers significantly rather than full shoes. Moreover, footwear components industry is missing in India and there is high customs duty on imported components (39.25%).Most sectors are reserved for SMEs and so no large investments happen unlike in china, where 24% of companies are foreign owned and there is huge FDI's from US and Europe. Hence it is critical to expand the domestic market, which would facilitate development of ancillary industry.

The Government of India's, Ministry of Small industries service institute came out with a paper *(2004)* titled "DIAGNOSTIC STUDY REPORT FOR LEATHER FOOTWEAR CLUSTER, AGRA", discussing different types of footwear, shapes and sizes considered in different markets, grading of lasts, different raw materials and components used, different production processes, types of production units, cost of production per pair of shoe in Agra Footwear Industry. The per capita consumption of footwear annually has grown from 0.8 pairs in 1986 to 1.5 pairs in 2005. This is 3.2 pairs in USA and 4.5 pairs in UK. No. of fully mechanized units have grown from 10 in 1970 to only 50 in 2005. On the other hand, the number of semi-mechanized units has increased from 50 in 1970 to 200 in 2005.

The cost of production per pair of shoe is Rs70-120 in the house hold units, Rs250-600 in the semi mechanized units and Rs500-1000 in fully mechanized units.

*D.S Yadav and Rajeev Agarwal (2007)*in their paper "Leather Sector: Global Export Performance and Issues in 21st Century", studied the global export performance and issues of the leather sector in India in the 21st Century.

Their paper discusses that though the major exporting countries are Germany, UK, US, Italy, Hong Kong, Spain and France but the main reason behind choosing the destination export country is "favourable conditions to export" for most of the leather firms. Foreign trade fairs came as the main source for knowing the likes and dislikes of the buyers and the major parameter behind leather export is quality and technology; price being the least significant factor. The study also finds that reduction in procedural delay is the main impediment behind policy regulations.

ICRA Management Consulting Services Limited, on behalf of CLE, (2008), in "Studying the competitiveness of the Indian footwear industry vis-à-vis other countries and making recommendations to improve the same - Large footwear manufacturer cum retailer", studied the competitiveness of the Indian large footwear manufacturer and retailers vis-à-vis other competitors. The study finds that labour productivity in India is very low as compared to Vietnam and China due to production engineering systems, skill development and mechanization of units. Even infrastructure-wise: be it power, delay at ports or integrated facilities, India is far behind the competitors. The key buyer concerns of leather products from India vis-a-vis competitors: Lack of scale, portfolio width, service levels, firm productivity, innovations in infrastructure and compliance issues. Lack of scale means inability to attract bulk buyers looking for one stop shops and service levels include lead time and quality of the product. Also, the pattern and amount of foreign funding and investment present in China and Vietnam as compared to India is much higher and advanced. However, there are threats for the Vietnam and Chinese leather industry too, which India should convert into its own opportunity. For example, the foreign Taiwanese investors are looking at shifting their manufacturing base to other developing countries like India and Bangladesh on account of anti-dumping duty imposed by EU and Canada. Also there are shifts of orders to the competitors like Indonesia for Vietnam losing its GSP status. The continuous growing labour charges in China in the leather sector have really become a matter of concern.

Deloitte (in consultation with NMCC) (2009), has come up with an almost similar kind of study. The paper “Enhancing firm level competitiveness: Indian leather and footwear industry”, reveals that till 2005, India's share in the import portfolio to the top export destinations was only around 4% for leather as a whole. In the key segment of footwear, the labour cost is cheaper by 41% over China, but the productivity of Chinese employees is higher by 33%. Also, the size of footwear component industry is very small in India and operates only in the small scale sector.

Apart from the above mentioned studies, which took an overall perspective of the leather sector in different economies, a number of studies have also come up which has focused in a specific functionality of the leather sector and that too in the leather footwear section in particular.

Marketing of the leather sector

The paper “Marketing leather footwear: Suggestions for new exporters”’ by *Terry McMallin (1995)*, tries to formulate some guidelines on appropriate marketing techniques for the SMEs who wants to enter into the trade of leather footwear. The study informs that data on the latest fashion trend can be obtained from the councils working on the same, on a subscription basis. Visiting international fairs like MIDEC, MICAM, GDS etc. also helps a lot. Shoes appropriately styled and designed in-house can bring in more export profits than those merely engaged in cut, sew and lasting operations based on patterns supplied.

The quality and type of leather is very important to decide the selling price of the shoes, which either increases or decreases the export profit.

Correct product engineering, good raw materials, correct machine adjustments and skilled workforce are important in achieving a suitable quality. Quality control procedures at every step from manufacturing of leather, cut components, stitched uppers, lasted shoes and then the finished shoe are all very important for buyers satisfaction. The export market of leather footwear is a high price aware buyer market. Hence, pricing should be

done keeping trade tariffs in mind. Buyers should have almost instant access to the suppliers. Promotion can be done through company brochure, news releases, participating in fairs with the best of samples.

The paper by *ICRA Management Consulting Services Limited (2008),* finds that India is only capable of responding to small and medium size orders of leather shoes which sell on price rather than quality but China gets huge price driven orders from US discount retail chains. The paper suggests that the government of India should follow export promotion activities through marketing support as government in other countries have undertaken aggressive marketing in other sectors to build brands out of commodities, which the Indian Govt. fails to do.

TQM AND TE in the Leather sector

SA, Patricia Moura F (2007) in her paper "The role of TQM practices in technological innovation: The Portugese Footwear Industry", investigates the relationship between the key TQM principles, especially those with regard to people management and work organization issues, and firms' technological innovation in the Portugese footwear industry. The paper concludes that the Portugese firms are not very innovative (less than 1 innovation per year on an average) and the correlations among the elements of TQM and that of innovation are high, suggesting that they complement each other.

To overcome the constraints faced by most Indian SMEs of the leather sector, in the areas of access to international quality design facilities, domestic procurement and import of international quality finished leather, the Study by *Exim Bank (2009)*titled "Institutional Support to SMEs: A Study of Select Sectors", suggests undertaking quality up gradation and certification programmes to reach ISO 14000 standards for tanneries to enhance the export competitiveness of the industry.

A similar kind of study titled "GLOBAL CRISIS, ENVIRONMENTAL VOLATILITY AND EXPANSION OF THE INDIAN LEATHER INDUSTRY", has been taken up by *Anup Kumar Bhandari (2010)* in India where he tries to

examine the supply side factors w.r.t. the global ups and downs and to examine the extent of technical efficiency (TE) prevailing among the Indian leather firms. The results show the size of a firm (defined by capital and labour requirements) affects its TE positively but variables like skill ratio and age of firm don't affect TE significantly.

Hence the policy makers' objective should be in favour of expanding the industry, with providing specific emphasis on expanding the size of individual production units, in view of the fact that it is a labour intensive industry.

Workforce Management

But being a labour intensive industry also means managing the labour force efficiently and developing appropriate skills effectively. *Suneeta Bhat (2010),* in her paper “Managing work motivation at the bottom - A case from Footwear Manufacturing Organization in India” deals with managing work motivation at the bottom level of the workforce in the Footwear Manufacturing Organizations in India. The paper also explores the reasons for demotivation of the sales force in the footwear manufacturing firms in terms of job satisfaction, income level, training programs, meeting job expectations, performance evaluations, work overload and grievance handling. The paper concludes that there is significant relationship between motivation factors and performance (in comparative profitability terms) as the sales persons were found to be motivated, in all the seven dimensions considered, in stores which were more profitable.

Manali Chakrabarti and Rahul Varman in their paper “Labour in Global Value Chains: A Study of the Leather and Footwear Manufacturing Cluster of Kanpur” *(2009)*, has come out with the fact that one of the major factors which had contributed to the long term sustainment of the leather footwear cluster in Kanpur is the skill levels of the workers. Nevertheless, paradoxically, it is precisely this resource which is being degraded and pauperized. The study discusses that the cluster is dealing with this serious threat of cheapening their products, mainly through pushing down the wages even further.

Unfortunately this tactic is threatening the very existence of the skilled workforce. The authors find that while labour costs are less than 10 per cent of the total manufacturing cost of footwear, the labour costs are *mere 2 per cent* of the price at which the same shoe is sold in the international market. And yet, policy pronouncements insistently declares that the clusters ought to increase their 'competitiveness' and improve 'export performance' through 'efficient' usage of labour. It resists thoughtful understanding as to what can be achieved by squeezing the 2 per cent part of the chain, especially if this is the very foundation of the whole structure.

Two other areas which are very important for any SME sector and that too of a leather segment are the activities of the cluster as a whole and also the environmental state of affairs within the firms.

Environmental Issues and Chemicals

In this respect, the *Federation of Indian Micro and Small & Medium Enterprises (2007)* came up with a handbook on "Mandatory and Voluntary Standards on Leather and Footwear Products". This handbook would serve as a guide to the potential exporters to know the voluntary and mandatory standards applicable in major international markets and also help them to locate the agencies that may help them in complying with these standards. The guide provides extensive information on the mandatory and voluntary requirements of leather products and footwear with respect to safety measures, environmental requirements, packaging, product quality specifications and various standard published by the ISO for importing countries like USA, EU and Hong Kong-China.

Sreeram K. J., Rao, J. Raghava, Nair B. U. (2008), in their paper "Leather Chemicals: Present scenario and future trends", discusses the importance of leather chemicals behind the development of the leather export market. Among several findings, the most important one reveals that the indigenous range of chemicals for the footwear industry is limited and there exists technology gaps. Indian leather chemical industry has to remain competitive

in relation with their counterparts in the advanced countries where the cost of raw materials and basic chemicals are lower than those prevailing in India. This can ensure competitiveness in the footwear industry as well.

Clustering

The Diagnostic study report for Leather Footwear Cluster in Agra (2004), discusses about the various vertical collaborations created by the government (viz. CLE, CFTI, DIC etc.) and their respective duties which they are supposed to perform. It also suggests that horizontal collaboration between the SME firms will reduce transaction costs, accelerate innovation and provide greater market access.

Wenghou_Huang (2008), in his paper "The role of clustering in rural industrialization: A case study of the footwear industry", discusses the role of clustering in the footwear industry while examining the driving forces behind the dramatic rural industrial growth seen in the Wenzhou footwear industrial cluster of China. The said region experienced a gradual formation of a highly specialized and coordinated industrial cluster consisting of over 4000 shoe making factories, 200 leather enterprises, 380 footwear sole enterprises, 200 footwear machine manufacturers, 168 last factories, 100 footwear accessories, 50 footwear design studios and numerous service agents, training schools and research institutes. The paper finds that clustering has deepened the division of labour and has in turn simplified complex production process into smaller steps which lowered technical and capital barriers to entry. The division of labour initially decomposes complicated footwear products into numerous intermediary products and thereby enabling many entrepreneurs to choose appropriate products according to their technological capacity. Cluster also reduces the transaction cost and facilitates concentrated transactions among the different small enterprises. Also in this industrial cluster, the diffusion of technology occurred through copying of others.

Chinese leather industry's strength lies in the clusters where they process millions of pairs of footwear in a cost-effective manner, helping each other.

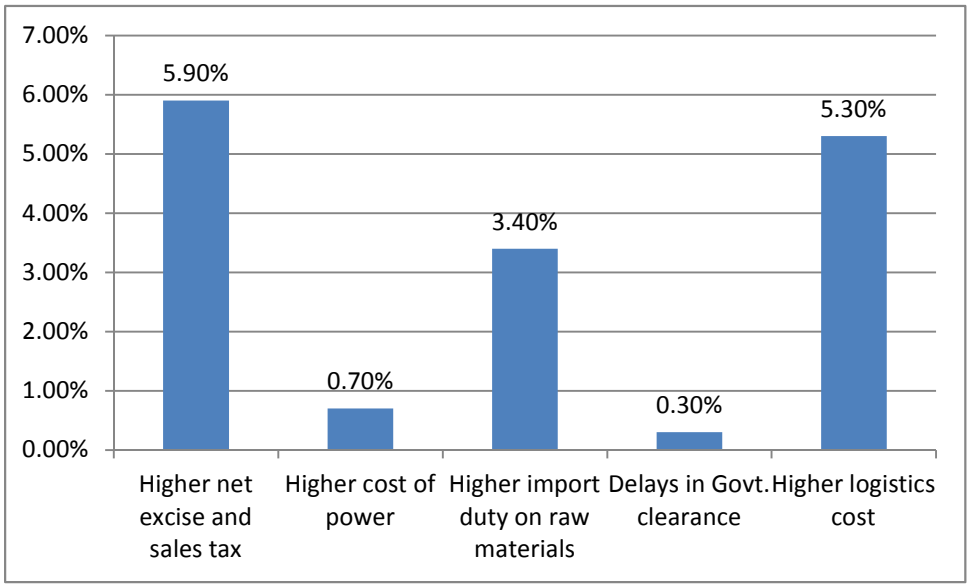
Unlike China, the collaboration is absent in India *(Deloitte in consultation with NMCC (2009)*.

However, Manali Chakrabarti and Rahul Varman while analyzing issues regarding cluster development, exports and globalization in their paper "Labour in Global Value Chains: A Study of the Leather and Footwear Manufacturing Cluster of Kanpur" *(2009)*, finds that Leather manufacturers in Kanpur had often developed an active association amongst themselves and have shared capacity and manpower skills to accommodate large and/ or unusual orders especially in a situation of tight deadline. Sometimes cases of special designs had also been shared out. Although the paper also highlights the fact that for new firms the whole ethic has changed and to become successful, they do not cooperate with each other. Hence, individuals have gained but not the industry as a whole. Also, the study states that all the Government has provided is short term incentives and subsidies so that the cluster can quickly hop onto the export bandwagon without any preparations or buffer to handle eventualities like the present global recession. In the name of cluster development the State has only been providing support for fancy technological upgradations like computers and the like. There is neither the will, nor any mechanism, to understand the basic problems, with the aim of evolving a long term programme to address them.

Taxes and Governance

India has a cost disadvantage to the extent of 15-16% vis-a-vis China mostly because of trade taxes as found by the studies of *ICRA Management Consulting Services limited, 2008.*

Figure 2.1: ***Percentage of different cost components in the leather sector***



Source: ICRA Management Consulting Services Limited

Zhao, Jing (2014), in his paper "The effect of export taxes on Ethiopia's leather industry", investigates whether the measures of export taxes (150% on semi-processed wet blue skin & 150% on higher value crust leather) has brought about leather industry's productivity growth in Ethiopia. First and foremost, the export tax was successful in limiting the exports of wet blue skin as exports dropped to zero in 2010. The impact of export tax on welfare is measured by the income of all leather industry players. The players in the industry includes 1) the households which provide raw skins and hides 2) traders to buys from the households and sells to the tanneries 3) tanneries 4) employees of the tanneries and 5) government. The loss for tanneries due to export tax was calculated to be only 3.8% of annual revenue. The number of employees in the leather industry has been steadily growing with the majority of the growth driven by footwear manufacturing. As with the growth in the number of employees, a growth of industry wages has been observed over time. Also, a significant increase in FDI from 2000 to 2012, and many foreign companies have moved production into Ethiopia for its supply of leather. The export tax may have been a contributing factor in China's investment in Ethiopia.

Jeffrey L. Dunoff and Michael O. Moore (2014) came out with their paper "Footloose or duty free? Reflections on European Union - Anti dumping measures on certain footwear from China", discussing on the different trade restrictions and duties imposed by EU on the Chinese footwear products and the implications of such measure on national production pattern and global supply chain. The European footwear industry has come under increasing pressure from international competitors, particularly from developing countries; for which there has developed a number of trade restriction policies in EU. The paper finds that though by using antidumping duties allowed the EU industry to target both China and Vietnam; however since both these countries make up a huge percentage in the footwear export market, finding alternatives will become a huge problem for the EU importers. The paper concludes that the EU footwear industry in ten years will become niche producers making high-end shoes for a much smaller consumer base. Also in today's global manufacturing economy, as the WTO constantly advises us that goods are 'made in the world', the EU system of evaluating dumping is poorly designed for this globalized world.

Summary:

A lot many studies have been done on the leather and leather footwear sector all over the world. The papers mainly deal with the leather footwear sectors present in China, Africa, Pakistan and India as these nations are believed to have a comparative advantage in this segment. Different areas within the leather footwear segment which have been taken up in these studies have been grouped into separate headings. Some of the areas where work has been done are taxes and governance, clustering activities, environment and chemicals, work force management, TQM, marketing policies etc. The overall inference which comes out collectively from most of the papers is that the quality and type of leather is very important as it decides the price structure of the shoes, which ultimately affects the export profit. Apart from this apt product designing, procurement of good raw materials, right machine usage

and skilled workforce are important in achieving a suitable quality and quantity of export. Lastly, the most important aspect emerging up in most of the successful cases of leather footwear export is the strong presence of varied clustering activities, be it as a support from the state or government or the strong networking between the footwear manufacturing SME firms.

Some papers, mostly in case of India, have dealt with the overall scenario and condition of the leather or footwear manufacturing units; generally taking up issues like the situation of infrastructure, structure of trade tax, market reach of the export firms, problems in labour productivity and wage rates, issues in product quality and the like. However these studies are not done specifically for the export sector alone and hence does not deal with the effect of these issues on the export performance of the SME firms.

Table 2.8: *Literature for "SMEs in the leather sector – footwear in particular"*

Sl No.	Author	Title	Yr. of publication	Objective	Variables/ Model	Major Findings
1	Terry McCallin	Marketing leather footwear: Suggestions for new exporters	1995	Tries to formulate some guidelines on appropriate marketing techniques for the SMEs who wants to enter into the trade of leather footwear	1) Efforts put in to know the latest fashion trends (colour, materials and components like lasts) 2) Shoe type and segment 3) Quality Assurance 4) Quality management 5) Price competitiveness 6) Promotion 7) Defining objectives 8) Packaging	1) Information on this trend can be obtained from the councils working on the same, on a subscription basis. Visiting international fairs like MIDEC, MICAM, GDS etc. also helps a lot. Also by issuing a number of foreign magazines. Shoes appropriately styled and designed in-house can bring in more export profits than those merely engaged in cut, sew and lasting operations based on patterns supplied. 2) The quality and type of leather is very important to decide the selling price of the shoes, which either increases or decreases the export profit. In this regard it is always better and cost - effective to deal with local tanners. This will ultimately decide what type of shoes the company can make. 3) Correct product engineering, good raw materials, correct machine adjustments and skilled workforce are important in achieving a suitable quality. 4) Quality control procedures at every step from manufacturing of leather, cut components, stitched uppers, lasted shoes and then the finished shoe. 5) Highly price aware buyer market. Pricing should be done keeping trade tariffs in mind.

						6) Buyers should have almost instant access to the suppliers. Promotion can be done through company brochure, news releases, participating in fairs with the best of samples 7) Before attending a fair, the exporter should jot down quantifiable, attainable objectives. 8) As per buyers requirements. Should test full loaded cartons before delivering.
2	Exim Bank	Institutional Support to SMEs: A Study of Select Sectors	2000	The study concentrates on three important sectors namely, leather, auto-components and ready-made garments and examines the role of institutional support infrastructure in three key areas of finance, marketing and technology.	The Exim Bank study is based on a primary survey of 50 Small and Medium Enterprises (SMEs) across three industry sectors with `in-depth interviews' with a representative sample of SMEs selected from clusters of leather, auto-components and readymade garment sectors located at Mumbai, Bangalore, Chennai and Tirupur.	1) In the leather industry, the Study finds that the healthy growth of the sector has been facilitated by a network of supporting institutions and associations which provide guidance and common service facilities for research and development, design, export assistance, training, etc. Important in this regard are the Central Leather Research Institute (CLRI), the Council for Leather Exports (CLE), the Footwear Design and Development Institute (FDDI), the All India Leather Products Association (ALPA), and the All India Skin and Hide Tanners and Merchants Association (AISHTMA) which cater to the various requirements of firms in the leather industry. 2) However, the study found limited efficacy of the national level associations like the Council for Leather Exports (CLE) or the All-India Leather Product Association (ALPA) in resolving the problems faced by the firms. Most respondents felt the need to develop strong local level

						associations around their cluster to take care of common problems. 3) To overcome the constraints faced by most SMEs in the sector in the areas of access to international quality design facilities, domestic procurement and import of international quality finished leather, the Study suggests undertaking quality upgradation and certification programmes to reach ISO 14000 standards for tanneries to enhance the export competitiveness of the industry.
3	Dadaglio Giovanni	Africa Positions itself for the Global Leather Market	2003	To address the competitive challenges the African leather sector faces	Descriptive research paper on secondary data to look into the position of the African leather industry	1) High tariffs on leather and leather products which are exported from Africa to emerging countries like India (45%), Mexico (34.8%) and China (25%) on leather footwear. 2) EU, the main export mkt of Africa, charges relatively lower tariffs from (5-7.7%). These preferences, however, are being progressively eroded by bilateral free trade areas that EU countries are negotiating with a growing number of trade partners outside ACP countries. 3) Despite its significance as a livestock producer, Africa accounts for only 8% of world production of cattle hides and about 14% of goat and sheepskins (the African leather gap)
4	ICRA Advisory Services	Competitiveness of the Indian footwear Industry	2004	With Indian economy on the growth path, studying : 1) structure of the footwear industry and its key issues 2) potential of the industry	1) Variables: Structure of raw materials, tanning and components, tax rates on footwear, labour laws, inadequate infrastructure	1) 95% of the total tanneries are in SMEs. Hence most tanneries are unable to modernize technology which adversely affects quality, quantity, pollution norms and timely

				3) providing suggestions for improving competitiveness	and impact of WTO 2) Primary research on raw materials and labour laws; secondary research on tax, govt. marketing activities in other industries and WTO laws.	delivery. Cannot process large hides due to machine capacity constraints and so India exports shoe uppers significantly rather than full shoes. 2) Good quality finished leather being exported due to better export realization and so the govt. imposes high export duty on them in order to prevent flight of raw materials. 3) Footwear components industry is missing in India and there is high customs duty on imported components (39.2%). 4) Inadequate infrastructure like delay in ports, power etc. causes delays in delivery. 5) Most sectors reserved for SMEs and so no large investments happen (unlike in china, where 24% of companies are foreign owned and there is huge FDI's from US and Europe. 6) For targeting the domestic market it is critical to expand the domestic market, which would facilitate development of ancillary industry. 7) Govt. in other countries has undertaken aggressive marketing in other sectors to build brands out of commodities, which the Indian Govt. fails to do.
5	Government of India, ministry of small industries service	Diagnostic Study Report for Leather Footwear Cluster, Agra	2004	The paper discusses about different types of footwear, shapes and sizes considered in different markets, grading of lasts, different raw materials and components used, different	Mainly secondary source	1) The per capita consumption of footwear (all types) annually has grown from 0.8 pairs in 1986 to 1.5 pairs in 2005. This is 3.2 pairs in USA and 4.5 pairs in UK. 2) No. of fully mechanized units have

	institute			production processes, Market channel characteristics, status of footwear cluster, types of production units, cost of production per pair of shoe in Agra Footwear Industry.		grown from 10 in 1970 to only 50 in 2005. On the other hand, the number of semi-mechanized units has increased from 50 in 1970 to 200 in 2005. 3) The number of units as per different types of production units are given along with the direct employment amount. 4) The cost of production per pair of shoe is Rs70-120 in the house hold units, Rs250-600 in the semi mechanized units and Rs500-1000 in fully mechanized units.
6	Federation of Indian Micro and Small & Medium Enterprises	A Handbook on Mandatory and Voluntary Standards on Leather and Footwear Products (In major international markets)	2007	This handbook is published to help the Small and Medium Enterprises engaged in leather sector to increase their market access in major international markets. This handbook would serve as a guide to the potential exporters to know the voluntary and mandatory standards applicable in major international markets. This would also help them to locate the agencies that may help them in complying with these standards.	This is the outcome of a series of stakeholder workshops organized in Agra and Kanpur clusters with AFMEC, AADHAR and Banther Industrial Pollution Control Company.	Provides extensive information on the mandatory and voluntary requirements of leather products and footwear with respect to safety measures, environmental requirements, packaging, product quality specifications and various standard published by the ISO for importing countries like USA, EU and Hong Kong-China.
7	Yadav, D. S., Aggarwal Rajeev	Leather Sector: Global Export Performance and Issues in 21st Century	2007	1) To trace out the major export destinations of the leather industry 2) To study the performance of the leather industry and the importance of select regions in the selection of export countries 3) To find out future growth	1) Convenience sampling of 60 companies across Agra and Kanpur for primary research dealing with variables "choosing export destination", "source for knowing customers", " significant factor behind leather export" and "area where policy requirement is	1) The major exporting countries are Germany, UK, US, Italy, Hong Kong, Spain and France 2) 83% of the respondents chose "favorable conditions to export" as the main reason behind choosing a destination country 3) Foreign trade fairs came as the main source for knowing the likes and

				potentials and challenges 4) To analyze the policy regarding leather industry and suggestions to increase export	necessary". 2) Secondary research from reports and journals	dislikes of the buyers for 87% of the respondents 4) Quality and technology play the major role and price the least significant factor behind leather export 5) 93% feel that reduction in procedural delay is the main impediment behind policy regulations
8	Cheng, Chih-Peng	The growth and transformation of Chinese footwear product: The political economy of a global industry	2007	Examines the formation and transformation of the Chinese export-led footwear industry from a political-economic perspective.	Uses an extended case method, followed by the grounded theory to analyze the formation and transformation of the export-led footwear industry in China. Open-ended in-depth interviews were carried out for several firms selected through a snow ball technique of sampling.	A stable status hierarchy comprised of Taiwanese footwear producers, local officials, and rural migrant labourers, created a business environment that solved uncertainties embedded in the Chinese economic transition. The Taiwanese producers developed alliances with local political officials and with this local political support, transformed China into the leading footwear producer in the world. The paper also found that it was not the price mechanism coming out of cheap labour that made China the ruler for footwear exports but was the theory of "embeddedness" wherein the strong network between the firms made the sector hugely competitive.
9	SA, Patricia Moura F	The role of TQM practices in technological innovation: The Portugese Footwear Industry	2007	To investigate the relationship between key TQM principles, especially those with regard to people management and work organization issues, and firms' technological innovation in the Portugese footwear industry	1) Hypotheses: H1: High levels of autonomy are associated with high levels of (technological) innovation. H2: High levels of communication are associated with high levels of (technological) innovation.	1) The Portugese firms are not very innovative (less than 1 innovation per yr. on an average) 2) TQM is a holistic philosophy that calls for the simultaneous implementation of its key principles. The correlations among its elements are high, suggesting that they complement each other. 3) The strength of the relationships is however lower than initially expected. This may be explained by the size of

					H3: High levels of consultation are associated with high levels of (technological) innovation H4: High levels of formalization are associated with low levels of (technological) innovation H5: High levels of qualitative flexibility are associated with high levels of (technological) innovation. 2) Primary data collected through questionnaire from 16 firms	the sample and the relatively low level of maturity of TQM initiatives in the Portuguese footwear industry.
10	Wenghou _Huang	The role of clustering in rural industrialization: A case study of the footwear industry	2008	To examine the driving forces behind the dramatic rural industrial growth seen in the Wenzhou footwear industrial cluster of China.	1) Surveyed 140 footwear related enterprises, which accounts for 2.7% of the total number. 2) Variables: Total number and types of enterprises, qualification and experience of the entrepreneurs, Diffusion of footwear production techniques, amount of startup funds and overcoming them, preferred channels to raise working capital, pattern of trade credits	1) Gradual formation of a highly specialized and coordinated industrial cluster consisting of over 4000 shoe making factories, 200 leather enterprises, 380 footwear sole enterprises, 200 footwear machine manufacturers, 168 last factories, 100 footwear accessories, 50 footwear design studios and numerous service agents, training schools and research institutes. 2) Apart from helping the firms accumulate technological capabilities, clustering also helps lowering the technical barriers for the entry of newcomers. 3) With time, entrepreneurs having prior shoemaking experience has declined, while the proportion of marketing

						specialists has risen steadily as individuals with marketing skills began to enjoy a comparative advantage. 4) In the industrial cluster, the diffusion of technology occurred through copying of others. 5) Clustering deepened the division of labour and has in turn simplified complex production process into smaller steps which lowered technical and capital barriers to entry. The division of labour initially decomposes complicated footwear products into numerous intermediary products and thereby enabling many entrepreneurs to choose appropriate products according to their technological capacity. 6) Common practice of using trade credits from upstream and downstream firms, as there exists a certain level of trust among the production chain. These trade credits are an important channel which forms the working capital. 7) The cluster also reduces the transaction cost and facilitates concentrated transactions.
11	Sreeram K. J., Rao, J. Raghava, NairB. U.	Leather Chemicals: Present scenario and future trends	2008	Discusses the importance of leather chemicals behind the development of the leather export market. In this regard the paper portrays the present scenarios, challenges and the future trends in this sector in India.	Descriptive research paper on secondary data	1) The indigenous range of chemicals for the footwear industry is limited and technology gaps have been identified. Although significant amount of rubber based adhesives are made within the country for the footwear sector, technological gaps in the area of polyurethane, hot metal adhesives and shoe-finishing chemicals have

						been identified. 2) Indian leather chemical industry has to remain competitive in relation with their counterparts in the advanced countries where the cost of raw materials and basic chemicals are lower than those prevailing in India. 3) Tanners need to ensure that along with the stipulated norms, REACH is also taken care off for EU.
12	ICRA Management Consulting Services Limited (CLE??)	Studying the competitiveness of the Indian footwear industry vis-à-vis other countries and making recommendations to improve the same - Large footwear manufacturer cum retailer	2008	Critical examination of what the competition has done successfully, as well as the inherent weakness of the Indian industry.	1) Secondary research 2) Primary research on key (large) players of leather footwear who are member companies of CLE in India and leading buyers of leather products.	1) Labour productivity in India is very low as compared to Vietnam and China for production engineering systems, skill development and mechanization of units. 2) Infrastructure-wise: be it power, delay at ports or integrated facilities, India is far behind the competitors 3) India has a cost disadvantage to the extent of 15% vis-a-vis China (mostly because of taxes) 4) Govt. should follow export promotion activities through marketing support. 5) India is capable of responding to small and medium size orders of leather shoes which sell on price rather than quality; China gets huge price driven orders from US discount retail chains 6) Key buyer concerns of leather products vis-a-vis competitors: Lack of scale, portfolio width, service levels, firm productivity, innovations in infrastructure and compliance issues 7) The pattern and amount of foreign funding and investment present in China and Vietnam as compared to

						India.
13	Deloitte (in consultation with NMCC)	Enhancing firm level competitiveness: Indian leather and footwear industry	2009	The objective of the paper is to understand the competitiveness of firms across their supply chain, identify the key areas for focus for the organizations based on critical trends and provide the contours for strategic initiatives and detail a roadmap for implementation.	1) Analyze the performance of organizations based on secondary and primary data 2) Primary data collected from 12 companies which include tanneries, footwear, footwear components and different other kinds of leather goods producing firms.	1) Till 2005, India's share in the import portfolio to the top export destinations was only around 4% 2) In the key segment of footwear, the labour cost is cheaper by 41% over China, but the productivity of Chinese employees is higher by 33%. 3) Chinese leather industry's strength lies in the clusters where they process millions of pairs of footwear in a cot-effective manner, helping each other. Unlike China, the collaboration is absent in India. 4) The size of footwear component industry is very small in India and operate in small scale sector.
14	Manali Chakrabarti and Rahul Varman	Labour in Global Value Chains: A Study of the Leather and Footwear Manufacturing Cluster of Kanpur	2009	To analyze issues regarding cluster development, exports and globalisation in present-day India through a study of the leather and footwear manufacturing cluster (LFC) of Kanpur.	1) Study has been done through secondary data and extensive interview with some SME firms. 2) Variables for interview: Certain aspects of horizontal clustering like cooperation among firms, collective learning among firms etc., wage rate and labour conditions, water and power supply	1) Identified three key aspects of traditional advantages of the LFC which have enabled it to adapt to changing contexts and demands and sustain itself over long time: flexibility, cooperation amongst the actors, and the skill levels of the workers. 2) Given the peculiar nature of small industry clusters (as opposed to large organizations), the situation is very amorphous and dynamic. Employment fluctuates with number of orders, seasons, and other contingent factors. 3) The price, quality and performance of the shoe are primarily determined by the process of bottoming. At present the whole shoe is assembled in several units of the LFC, but some of the components are imported from

						the West. 4) In spite of the disadvantage of being situated in a declining industrial center of the Third World with limited access to information regarding the global leather and leather products market, the cluster has been able to adapt, innovate, grow (including through continuous entry of new players), and compete successfully for a long period. 5) Leather manufacturers often develop an active association amongst themselves and they share capacity and skills (manpower) to accommodate large and/ or unusual orders especially in a situation of tight deadline. Sometimes if there is a special design then also it is shared out. 6) New firms are successful, probably more than the previous ones, but the whole ethic has changed – individuals have gained but not the industry as a whole. People are getting cut off from each other and they cannot cooperate even in business whereas they should have gone beyond and worked towards the development of the whole community. 7) Though the cluster has been able to sustain, grow and move in new directions primarily due to the high levels of skills of a large set of workers, paradoxically, it is precisely this resource which is being degraded and pauperized.

15	Sonobe, Tetshushi	An exploration into the successful development of the leather shoe industry in Ethiopia	2009	Presents the results of successful industrial development in one of the most labor-intensive industries in one of the poorest countries, i.e. the leather-shoe industry in Addis Ababa, Ethiopia. Reviews the empirical literature on cluster-based industrial development in East Asia in comparison with the Ethiopian case and postulates several testable hypotheses.	1) Collected primary data on the performance and characteristics of 90 private enterprises and two state-owned enterprises (SOEs) in this industry. 2) Hypothesis 1: Leading enterprises operated by highly educated and experienced entrepreneurs produce high-quality products and market them through their own distribution systems designed to reach customers directly. Hypothesis 2: To produce high-quality differentiated products, such leading enterprises purchase high-quality inputs directly from producers. Hypothesis 3: To take advantage of improved product quality, established brand names, and direct marketing and procurement systems, the leading enterprises operate on a larger scale than others	1) A major finding is that the growth of this industry was driven initially by the massive entry of new enterprises established by former employees of the existing shoe factories but more recently by the growth in enterprise sizes due to improvements in the quality of products, marketing, and management. 2) The paper has presented supportive evidence for the hypothesis that the highly educated entrepreneurs introduce new ideas on product design, production methods, labor management, marketing, and procurement because they face fierce competition from a swarm of micro enterprises, who can enter the market with little investments. Qualitatively, the development process of the leather-shoe industry in Ethiopia bears similarities to the process of the cluster-based industrial development observed in East Asia.
16	Suneeta Bhat	Managing work motivation at the bottom - A case from Footwear Manufacturing Organization in India	2010	Provides an explanation of how employee motivation affects employee behaviour within organizations, particularly among sales persons serving at the bottom of the pyramid. The paper also explores the reasons for demotivation of the sales	The hypothesis are as under: H01: There is no significant relationship between motivation factors and performance (in term of profitability) for selected sample of sales professionals. The questionnaire had seven different dimensions namely job	Conclusions find that there is significant relationship between motivation factors and performance (in comparative profitability terms) as the sales persons were found to be motivated, in all the seven dimensions considered, in stores which were more profitable.

				force in the footwear manufacturing firms	satisfaction, income level, training programs, meeting job expectations, performance evaluations, work overload and grievance handling. Data for performance (profit) was measured from the balance sheet of the firms. The sample was 112 sales persons of different footwear retail outlets.	
17	Anup Kumar Bhandari	GLOBAL CRISIS, ENVIRONMENTAL VOLATILITY AND EXPANSION OF THE INDIAN LEATHER INDUSTRY	2010	1) To examine the supply side factors w.r.t the global ups and downs and to draw necessary policy conclusions. 2) To secure a reasonable position in the export market the industry needs to be efficient in production and so the purpose of the paper is to examine the extent of technical efficiency (TE) prevailing among the Indian leather firms.	1) Applied the data envelopment analysis where firm level data has been considered for 12 sample years spanning from 1980-81 to 2002-03. 2) Firm-level panel data has not been used 3) Variables: Output, Intermediate Inputs, Capital, Labour, Skill ratio and age of the firm (definitions given in the paper)	1) Size of a firm (defined by capital and labour requirements) affects its TE positively and is significant throughout the years. There is no tendency of the firms to be in a DRS stage of the production function. 2) TE of firms varies significantly with its location and internal organizational structures. 3) The variables like skill ratio and age of firm don't affect TE significantly. 4) Hence the policy makers' objective should be in favour of expanding the industry, with providing specific emphasis on expanding the size of individual production units, in view of the fact that it is a labour intensive industry.
18	Commercial Section, Consulate General of Pakistan	Leather Market in China	2011	1) To provide information about the structure of leather market in China, the competitive environment for import of leather, market trends and opportunities for Pakistani leather exports, and outline of the regulatory framework for the leather	1) Annual production of leather in China accounts for over 20% of total global output and annual footwear output accounts for over 70% of global output. 2) Leather imports in China mainly comprises of raw materials (raw hides &	Deals with overall leather industry scenario of China only

				market in China. 2) High-lights Pakistan's leather and leather products potential to enter in China's market	skins, finished and semi-finished leather) which accounts for 75% of total leather imports of China and is primarily used in the production of value-added products of leather for export. Tanned leather takes the lion's share of 85% of the imports, while raw hides range between 6-15%. 3) According to CLIA, 80% of the leather used in China is local while 20% is imported from overseas. 4) Industry report reveals that 74% of the leather imports into China are consumed in the footwear industry for finished goods. 5) Foreign funded enterprises accounts for about 25% of the total number of enterprises in China. They specialize in tanning, shoemaking and other leather goods. 6) Pak and China signed Free Trade Agreement in 2007 and has created enormous opportunities for Pakistan traders.	
19	APICCAPS(Portuguese Footwear, Compone	World Footwear Yearbook 2011	2011	This report analyses the great trends within the footwear sector in the five continents in terms of quantity and value as well as the evolution of the main world	Compilation of different variables like Production, Exports, Imports and Consumption, related to	1) Asian countries were exporting footwear at a stable average price of approximately 4USD throughout the decade; the average price charged by Europeans increased from 15 to 23

	nts, Leather Goods Manufacturers' Association)			players in this sector. The aim of this publication is to analyze the position of the footwear sector at a world level in terms of the different variables (Production, Exports, Imports and Consumption) and evaluate the strategic positioning of the different sector players. Additionally, this publication includes a profile of the footwear industry/market in dozens of countries.	footwear.	USD (because of larger leather footwear). EU focuses on high price market segment. 2) Europe is also the continent that pays the highest average price for imports, followed by North America. 3) Average price charged for leather footwear :China - $10.57, Italy - $52.58, Vietnam - $29.47, India - $14.05 (Year 2010)
20	Zhao, Jing	The effect of export taxes on Ethiopia's leather industry	2014	To investigate whether the measures of export taxes (150% on semi-processed wet blue skin & 150% on higher value crust leather) has brought about leather industry's productivity growth in Ethiopia.	1) A quantitative welfare analysis, which analyses the effect and impact of export tax on welfare which is measured by the income of all leather industry players. The players in the industry includes 1) the households which provide raw skins and hides 2) traders to buys from the households and sells to the tanneries 3) tanneries 4) employees of the tanneries 5) government 2) Analysis only covers large and medium scale firms.	1) The export tax was successful in limiting the exports of wet blue skin as exports dropped to zero in 2010. 2) The loss for tanneries due to export tax would be only 3.8% of annual revenue. 3) The number of employees in the leather industry has been steadily growing with the majority of the growth driven by footwear manufacturing. As with the growth in the number of employees, a growth of industry wages has been observed over time. 4) A significant increase in FDI from 2000 to 2012, and many foreign companies have moved production into Ethiopia for its supply of leather. The export tax may have been a contributing factor in China's investment in Ethiopia.
21	JEFFREY L. DUNOFF,	Footloose or duty free? Reflections on European Union -	2014	Illustrates the rapidly changing structure of global manufacturing and how these	Have done an in-depth study on the different trade restrictions imposed by EU on the Chinese	The European footwear industry has come under increasing pressure from international competitors, particularly from

	MICHAEL O. MOORE	Anti dumping measures on certain footwear from China		changes can scramble the traditional political economy of import restrictions. In addition, the case highlights how EU members' positions on trade remedy actions can depend importantly on national production patterns and firms' responses to economic pressures from globalization and the further development of global supply chains.	footwear products; china's retaliation, WTO'S participation and lastly the implications of such measure.	developing countries. These factors have determined firm and national attitudes towards different trade restrictions. These differences make clear that the choice of instrument will be critical to obtaining import barriers as well as the effectiveness of the restrictions. In addition, the choice of instruments determines the type of complaint that the EU might face in a WTO dispute. However, using antidumping allowed the industry to target both China and Vietnam. But, since both these countries make up a huge percentage in the footwear export market, finding alternatives will become a huge problem for the EU importers. The paper concludes that the EU footwear industry in ten years will become niche producers making high-end shoes for a much smaller consumer base.

2.7 Research Gap

There has been a lot of research conducted worldwide on small and medium enterprises and their export performance for the last thirty years. This study has reviewed the recent literature ranging from 2000 to 2014.

The most common areas of study was the impact of globalization and liberalization on SMEs competitiveness, the countries where the SMEs export, the commodities they export the most and the changes occurring in this composition. Certain articles also dealt with the factor intensity and resource intensity in the SME sectors of the developing and developed countries. However, in certain cases the performance of the SMEs was also judged based on certain factors like firm size, product quality, market diversification and the use of technology.

A number of researches and articles have also been published about the working of the Indian SMEs, their contribution and competitiveness before and after the liberalization era. Many researchers have taken specific states or zones of India, dealing with certain definite factors like supply chain or distribution channels or technology and ERP or inventory cost or entrepreneurship development or marketing strategies or promotional tools or only the environmental aspects. Many have even contributed articles on a specific industry of the SME sector like readymade garments or lock industry or wooden furniture or sports goods and so on.

Various reasons such as export potential, employment generation and capability to earn foreign exchange has given the leather industry an important position in the Indian economy. The government, as a consequence, has put the leather sector as a thrust area in the national planning for the development of India. The growth of the sector is also being looked into by a network of supporting institutions and associations which provide guidance and common service facilities for research and development, design, export assistance, training, etc. Some of them are the Central Leather Research Institute (CLRI), the Council for Leather Exports

(CLE), the Footwear Design and Development Institute (FDDI), the All India Leather Products Association (ALPA), and the All India Skin and Hide Tanners and Merchants Association (AISHTMA).

A number of white papers have been published by the Council for Leather Exports, Department of Industrial Policy and Promotion, Federation of Indian Micro, Small & Medium Enterprises, National Manufacturing Competitiveness Council etc. on various issues of the leather sector as a whole. Most of the reports have mainly dealt with the different dilemmas which the leather industry as a whole faces within the domestic level; be it infrastructural issues, or credit facilities or challenges of environmental acceptability or even government policies and aid.

Some of the papers like “Leather Sector: Global Export Performance and Issues in 21st Century” by Yadav, D. S., Aggarwal Rajeev in 2007, “Leather Chemicals: Present scenario and future trends” by Sreeram K. J., Rao, J. Raghava, NairB. U. in 2008, “GLOBAL CRISIS, ENVIRONMENTAL VOLATILITY AND EXPANSION OF THE INDIAN LEATHER INDUSTRY” by Anup Kumar Bhandari in 2010 and the like have focused on the entire leather sector as a whole without any dominance given to exporting footwear units and the challenges faced by them. Also, these small amount of research papers which has been published on the leather industry of India deals only with parameters like production capacity, technological efficiency, adoption of ITC and the performance of the leather industry at large.

The numerous white papers which have come out specific to the leather footwear industry, like “Competitiveness of the Indian footwear Industry” by ICRA Advisory Services in 2004, “DIAGNOSTIC STUDY REPORT FOR LEATHER FOOTWEAR CLUSTER, AGRA” by GOVERNMENT OF INDIA, MINISTRY OF SMALL INDUSTRIES SERVICE INSTITUTE in 2004, “Studying the competitiveness of the Indian footwear industry vis-à-vis other countries and making recommendations to improve the same - Large footwear manufacturer cum retailer” by ICRA Management Consulting Services Limited on behalf of CLE in 2008, “Enhancing firm level

competitiveness: Indian leather and footwear industry" by Deloitte (in consultation with NMCC) in 2009 and the like have the following gaps:

a) Most of the studies are not specific to the SME sector alone but has taken into account the entire footwear industry (mostly large manufacturers)

b) In certain papers even non-leather footwear has been studied collectively

c) Parameters as in marketing mix, clustering activities, competitive priorities are only discussed from secondary sources which describes different institutes, their activities and marketing channels which should be present

d) Some papers mainly discusses the overall characteristic of the footwear in certain clusters and primarily focuses on the different components, parts, segments, types and process of shoe manufacturing. They even give you a detailed idea about how footwear is manufactured and what and who are attached in the process. But the papers fail to discuss about the actual conditions of the "exporting SME footwear firms" in terms of their export performance.

e) Previous studies have also not taken into account the changes in the import amount of raw leather by the footwear manufacturing firms, after the Indian government had levied a huge export tax on raw leather export in order to prevent the shortage of raw leather in India.

f) A number of factors like marketing policies, tax structure, presence of infrastructure, clustering etc. have emerged in various literatures. However, clubbing suitable parameters such as marketing strategies, cost structure, investment priorities, import percentage etc. as internal factors; and clustering activities, presence of infrastructure, global demand etc. as external factors have not been done in a structured manner.

e) Last but the most important, critical variables like the performance of the exporting SME footwear units and their relation to several internal and external factors have not been taken into account.

2.8 Need for the Study

In the changing scenario of globalization and liberalization, it is crucial to take an extensive and firm look at the small scale sector in India which exports leather footwear as it comprises about 80% of the market. In India a majority of the SMEs are still in the unorganized sector and have to face internal and external challenges. While the external challenges such as cost of raw materials, infrastructural facilities, competition, technology transfer from developed countries and talent attraction will need government support, the internal challenges need to be focused on equally. Exporting leather footwear SMEs need to have a global preparedness and more importantly discover their unique source of sustainability and develop it at a significantly higher level. This is possible by having a clear vision and focused measurable goals.

The Indian leather footwear industry has massive potential for generating employment and achieving high export-oriented growth. However, the on-going global economic slowdown with the prevailing Euro zone crisis and other challenges like price hike of raw materials etc. are major concerns about even maintaining the same growth levels in the future. The euro zone crisis impact would be huge as European Union (EU) is the largest importer of leather footwear from India, nearly 70%. Hence, what are required are market diversification efforts of the exporters with an aggressive marketing campaign and also maintaining a very high level of price competitiveness so as to tackle the adverse impact of recession as well as intense competition.

The purpose of this research is to examine various concerns, both internal and external, in context of the exporting leather footwear SMEs in India. Thereafter, the marketing mix, requirement of quality, timely delivery, cost and investment structure, activities related to clusters; demand conditions, labour

productivity etc. has to be assessed for the exporting firms and examine how they are affecting their export performance. Also, identifying importers on the basis of competitors market and emerging markets will actually help the Indian exporters to diversify their export reach. Subsequently, these parameters will be evaluated in the context of the role played by certain key entities like the Government, infrastructure sector etc. This will actually bring out the competitive priorities, areas of investment, constraints if any, competency development, and their association with the performance of the leather footwear export units.

2.9 Significance of the Study

The benefits that will accrue with the research are that it will have an effective approach to spot and identify the various loopholes present in the existing exporting leather footwear SME units of India, with respect to different external and internal parameters which are crucial for sustained performance of the units.

This study will be important for the government in chalking out plans and policies as to where exactly the hand holding is necessary to aid and assist the exporting small scale units of leather footwear so that their contribution to export does not get dampened.

2.10 Research Questions

- What is the export performance scenario in the leather footwear sector and are the exporting SMEs aware about their situation regarding export performance?
- Does the demography of an exporting leather footwear SME firm have vital relations with its performance?

- Do the internal factors, present within a leather footwear SME firm, have relations with the export performance?

- How do the external factors, in which a leather footwear SME firm thrives, relate to the export performance?

2.11 Objectives of the study

- To find the **objectivity of the performance** of the exporting leather footwear SME units

- To explore the **demography's** which are associated to the performance of the exporting leather footwear SMEs.

- To identify the **internal factors** which are related to the performance of the leather footwear exporting SMEs

- To identify the **external factors** which are interrelated to the performance of the leather footwear exporting SMEs

Chapter – 3

RESEARCH DESIGN

3. RESEARCH DESIGN

3.1 Chapter Outline

Research design provides the blueprint in order to carry out the research (Malhotra, 2008). This chapter outlines the research problems, research objectives, research framework, hypothesis, research approach and instrument and lastly the sampling method and sample size. The research problem area clearly states the research questions which the study deals with and ends with the research objectives. In the research framework, all the variables used in the study have been defined and the theoretical overview has also been provided. The next section which follows is the hypothesis taken up to move forward with the study. The research approach section describes the type of research carried out for this study and also explains the instrument for data collection. Lastly the chapter also defines the population, sampling method, the sampling units considered and the sample size taken up for the study. The chapter ends with the limitations of the research work and a summary.

3.2 Statement of the Problem

The Global import of Leather and Leather Products is growing at a cumulative annual growth rate of 5% (Council for Leather Exports) and this trend is expected to follow in the near future. Also, among the different products imported within the leather sector, world demand for leather footwear comprises of 70.64%. To bring into line to the trend of the global imports, the percentage share of leather footwear among the different leather products for export is also the highest in India. The footwear sector is a very important segment of the leather industry in India and is considered the engine of growth for the entire Indian leather industry.

The SME sector in India contributes about 60-65% in the leather segment and about 80% in the leather footwear segment. While the scenario for India's

Leather footwear industry has enhanced in view of deteriorating production of leather footwear in the Western European countries, the industry in India has to go in for significant capacity enhancement in order to fully utilize this opportunity. India's export share to world import for leather footwear is hovering around 2-3% for the last decade. The Council for Leather Exports, in the year 2007, had projected an estimated growth for the leather footwear export to 4526.05 million US $ for the year 2010. But India failed to achieve that milestone, which could have boosted India's share to the world import to 9.35%.

There has been a lot of research conducted worldwide on the leather and leather footwear sector and its performance at large. Likewise, in India a number of white papers and research papers have dealt with the concerned sector. However, the most significant gaps which lies with the existing literature is the state of the exporting SME leather footwear firms with parameters as in marketing mix, clustering activities, competitive priorities and the like. Moreover, linking these important parameters and finding out whether there exists a relation to the performance of the SME exporters has not been dealt with.

This particular study attempts to contribute by examining the performance of the exporting SME footwear units and its relation to several internal and external factors which has not been taken into account in the earlier studies. The research attempts to study several SME exporting firms with respect to their specific demography, internal environment and external environment in which they operate and whether these factors significantly affect the export performance at large. The research addresses the following questions:

- Research Question 1: What are the significant factors responsible for the export performance of the leather footwear SME firms?
- Research Question 2: Does the demography of an exporting leather footwear firm have vital relations with its performance?

Since there are differences in the demographic factors among the exporting SME firms, it was felt that "demography" as a parameter might bear important explanations behind the performance of the exporting firms. Numerous studies all over the globe have studied different aspects of demography of a firm and its relation to performance.

- Research Question 3: Are the SME exporters of leather footwear tracing out and diversifying their export destinations and whether proper selection of the international market (export destination) brings about a change in the performance of the export oriented firms?

Data from Trade map shows that from the last decade several emerging nations such as Japan, Russia, Korea, Canada, China, Australia and Switzerland have come into existence as upcoming importers. Records also show how the Asian competitors like China and Vietnam have diversified their export markets and have tapped these emerging import markets. Therefore, this study wishes to find out whether the Indian SME exporting sector is following the footsteps of its Asian counterparts and how performance is linked to it.

- Research Question 4: Does price competitiveness of the export firms have a relation with the sustained contribution of exports?

The World footwear Yearbook (2011) reveals that the average price for the Indian footwear products are competitive (at $12.53) as compared to the European exporters but not comparable with other competitors like China (at $3.39) and Brazil (at $ 10.40). Hence this study wishes to find out whether price competitiveness with the national as well as the international competitors affects export performance significantly.

- Research Question 5: How essential is the role of promotion on the performance of the exporting SMEs?

Nearly 70% of India's export of footwear is concentrated to the European Union alone and a part to USA, which is also negligible given the fact, that

USA is the largest importer of leather footwear. Even the share of India's export is negligible to the emerging importing nations as compared to its Asian competitors. Is this because of the lack in active promotion by the unorganized Indian SME sector? In this respect the research wishes to explore the role of promotion on the performance of the exporting SMEs.

- Research Question 6: Whether the leather footwear product segment plays an important role in the performance of the exporting units?

Reports from ICRA Management Consulting Services Limited (2008) and The World footwear Yearbook (2011) states that demand for the ladies segment is the highest around the world. The ICRA report even comes out with the fact that Indian firms mainly concentrates on the men's segment. Hence, the study wants to examine whether the type of footwear (product segment) manufactured by an exporting firm determines the export performance.

- Research Question 7: How strong is the relation of competitive priority with respect to product quality, timely delivery and labour productivity with the performance of the exporting firms?

Studies done by ICRA Management Consulting Services Limited, on behalf of CLE, (2008) and Deloitte (in consultation with NMCC) (2009), gives us information that India lies far behind than China in terms of product quality, delivery time and labour productivity in the leather export segment. This study wishes to explore whether the SME exporting firms do consider these factors as their competitive priorities and thereafter its relation with the performance of the firms.

- Research Question 8: Does difference in cost and investment structure on broad areas bring about a difference in the performance of the exporting firms?

Cost incurred and Investments made in different areas constitutes an important parameter as internal environment of any manufacturing firm. Hence, this study wishes to examine the areas of cost and investment of the

exporting leather footwear firms, which makes a significant impact to the export performance.

- Research Question 9: What role does the presence or absence of inadequate infrastructure play in the performance of exporting enterprises?

Infrastructure is the backbone of any manufacturing industry and for leather footwear it is all the more critical. The quality and usage of the most crucial raw material in this sector, i.e. raw leather is heavily dependent on basic physical infrastructure like power and water supply and is also seriously reliant on intricate infrastructure like tanneries, effluent treatment plants, testing laboratories etc. In this regard, the study feels to find out the presence or absence of these infrastructures in the SME exporting firms and their active role in the export performance.

- Research Question: 10: Has there been a positive role of clustering on the performance of the exporting firms?

Literature such as "The role of clustering in rural industrialization: A case study of the footwear industry" by Wenghou_Huang (2007) has come out with the fact how clustering has helped the Chinese SME firms to get an edge over their export performance. Few Indian literatures have also stated that clustering as a phenomenon is largely absent among the Indian firms. Although, Manali Chakrabarti and Rahul Varman (2009), finds that Leather manufacturers in Kanpur had often developed an active association amongst themselves by sharing capacity and manpower skills to accommodate large orders especially in a situation of tight deadline. However, no study has taken up the specific issues which clustering considers and which aspects are present or absent among the Indian SME firms. This research work not only explores the issues of clustering present or absent amongst the SME exporting firms, but also wants to find out whether there has been any positive impact on the performance of the firms due to clustering.

- Research Question 11: Did global issues like international demand, competition from different angles w.r.t. trade agreements, leather as raw

material, cost of manufacturing, duty and taxes etc. actually affect the performance of the Indian leather footwear exporting SMEs?

In today's world the effects of globalization has to be considered while dealing with the external issues a firm faces and for an outward looking exporting firm it is all the more critical. This research work desires to look into the effects of globalization through a) changes in international demand for leather footwear as a product and b) the impact of competition which an exporting SME firm faces w.r.t. trade agreements, leather endowment in the nation, duty and taxes etc.

- Research Question 12: Has the current government policies/support been useful to enhance the performance of the exporting small scale units?

Ever since, the leather Sector has been recognized as a Focus Sector in the Foreign Trade Policy, the Government of India has already implemented major schemes for the promotion of exports of leather and leather goods; be it in terms of cluster development or infrastructure support or changes in the duty and tax rates. The Government has even set up dedicated Footwear Complex and Footwear Components Part where footwear clusters are located. However, the proportional growth in exports of the leather footwear segment by SMEs that was expected to follow with the reduction in tariffs did not really happen in India. So the study wants to explore which policies/supports introduced by the Government of India have been useful to enhance the performance of the exporting small scale units and also which are the areas where immediate help is required.

The broad objectives that are derived from these research questions are given in the following section.

3.3 Objectives of the Research

- To find the **objectivity of the performance** of the exporting leather footwear SME units
- To explore the **demography's** which are associated to the performance of the exporting leather footwear SMEs.
- To identify the **internal factors** which are related to the performance of the leather footwear exporting SMEs
- To identify the **external factors** which are interrelated to the performance of the leather footwear exporting SMEs

3.4 Research Framework

This research work is carried out to know about the conditions of the SME leather footwear exporting firms in terms of their performance and also to explore the relationship of this performance with the demography of the firms, the internal situations and the external environment they thrive in. This work comprises of four studies in order to achieve the objectives of the research.

3.4.1. Study 1: Studying the Performance of the exporting leather footwear SME firms

As competition in the world markets has intensified, there also arises an increased need for understanding the concept of export performance and the factors associated with it. Export performance is defined as the extent to which a firm's objectives, both strategic and financial, with respect to exporting a product to a market are achieved via the execution of the firm's export marketing strategy (Cavusgil & Zou, 1994).

In general, business performance is defined as "the operational ability to satisfy the desires of the company's major shareholders" (Smith & Reece, 1999, p. 153), and it must be assessed to measure an organisation's

accomplishment. Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva in their paper "A Critical Analysis of Measurement Models of Export Performance" in 2007, have come up with a number of classes or groups of measurement for performance. Today, there is a general consensus that the traditional financial measures, though still valid and relevant (Yip *et al*., 2009), but needs to be balanced with more contemporary, intangible and externally oriented measures.

This research work has taken up the economic/financial measure; the market image measure and the overall export potential of an exporting firm which together jointly comprises the performance construct of the study.

Table 3.1*: Items for Performance*

Construct	Measure	Adapted From
Performance	Economic	Jorge Carneiro, Angelada Rocha and Jorge Ferreira da Silva (2007)
	Market Image	
	Overall export potential	

Now for assessing "Economic Measure", "Market Image measure", and the "Overall export potential" a number of literatures dealing with export performance have taken different factors into consideration.

The tables below show the measures taken up by this research study to define performance in terms of the financial state, market image and overall export condition of the exporting firms.

Table 3.2: *Items for Economic Performance*

Construct	Measure	Adapted From
Economic Performance	Sales Turnover / Revenue	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007) Elin Grimsholm and Leon Poblete (2010) Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Profit after tax	

The economic performance is generally measured through two traditional factors being: sales turnover and profit after tax. Sales turnover is the total amount of products sold within a given time frame, usually a year and the amount is usually expressed in monetary terms or in total units of stock or products sold. On the other hand, profit after tax is the net amount earned by a business after all taxation related expenses have been deducted. The profit after tax is often a better assessment of what a business is really earning and hence can be used in its operations more effectively.

Table 3.3: ***Items of Performance through Market Image***

Construct	Measure	Adapted From
Market Image	Delivery Speed	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007), Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Customer Satisfaction	

Delivery speed for an exporting firm is defined as the number of days involved between receiving the contract from the importer and the final delivery to him. The delivery speed is an important factor behind the market image of an exporting firm as it can surely play with the reputation of the firm to the importer as against its competitors.

Customer satisfaction is a term frequently used and it measures how a product supplied by a company, meets or surpasses customer's expectation. Since, for an exporting SME unit acquiring new customer is difficult as compared to retaining old ones, customer satisfaction is a very crucial measure for its market image and hence performance of the firm as it becomes a leading indicator of customer repurchase intentions and loyalty. Hence, customer satisfaction as a measure of market image has been defined through repeat purchases done by customers.

Table 3.4: ***Items for Overall Export potential***

Construct	Measure	Adapted From
Overall export potential	Export Volume	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007), Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Rejection Rate	

The overall export potential as the measure of performance has been studied through: the total export volume of an exporting firm for a particular year and also the percentage of rejection faced by the firm for the same year.

3.4.2. Study 2: Demography of the exporting leather footwear SME firms

Demography broadly defines the characteristics of an entity. For a typical exporting SME firm, there can be number of measures to describe its characteristics.

Given below are the measures taken up to define the construct "Demography" in this research work.

Table 3.5*: Items for Demography*

Construct	Measure	Adapted From
Demography	Type of ownership	Zulima Fernández & María Jesús Nieto (2006) Jesús Herrera Madueñoa, Manuel Larran Jorgeb and Gonzalo Sánchez Gardeyc (2011)
	Age of the firm	Sumit Kr. Mazumdar (1997) Claudio Loderer and Urs Waelchli (2010) Anup Kumar Bhandari (2010) Rahpoto, Muhammad Saleem; Shaikh, Faiz Muhammad (2011)
	Presence of other production subsidiary*	*This measure was included on expert recommendation
	Status of mechanization	Government of India, Ministry of small Industries Service Institute (2004) Sandip Sarkar (2010)
	Export Strategy	Lee and Griffith (2004) Government of India, Ministry of small Industries Service Institute (2004)

Type of ownership: Ownership is the ultimate and exclusive right conferred by a lawful claim or title, and subject to certain restrictions to enjoy, occupy, possess, rent, sell, use, give away, or even destroy an item of property. Given this definition, the type of ownership of a particular exporting firm is very critical as major decisions of business might depend on it.

Firm age: This study defines firm age as the time or period from when the concerned firm has started its operations. Age could actually help firms become more efficient as over time, firms discover what they are good at and learn how to do things better (Arrow, 1962; Jovanovic, 1982; Ericson and Pakes, 1995). Old age, however, may also make knowledge, abilities, and skills obsolete and induce organizational decay (Agarwal and Gort, 1996 and 2002). Hence, it is important to explore whether age of the exporting firm is a significant factor behind its performance.

Other production subsidiary, elsewhere: A subsidiary is a company that is owned or controlled by another company, which is called the parent company or holding company. This study wants to figure out whether having production subsidies elsewhere in India actually makes a difference in the performance of the SME exporting firms.

Status of mechanization: Mechanization simply means - "A volume production process involving machines and controlled by humans". It basically implies the usage of machines and technology in different stages of the production process. Literatures like "DIAGNOSTIC STUDY REPORT FOR LEATHER FOOTWEAR CLUSTER, AGRA" by GOVERNMENT OF INDIA, MINISTRY OF SMALL INDUSTRIES SERVICE INSTITUTE (2004) and "A Case Study of the Footwear Industry in India" by Sandip Sarkar (2010) gives us a rough idea about the number of semi-mechanized and mechanized exporting units in the leather footwear industry.

This study wishes to see how many SME units have become fully mechanized and how many are still semi-mechanized till date and the impact the mechanization of the production process has on the export performance.

Export Strategy: Export Strategy mainly refers to how an export firm chooses to export its products internationally. It can mainly be done through a) direct selling where the exporter personally handles every aspect of the exporting process from market research and planning to foreign distribution and collections or by b) indirect selling through intermediaries where a company engages the services of an intermediary firm capable of finding foreign markets and buyers for its products.

The way an exporting firm chooses to export its products can have a significant effect on its export plan and performance and this is what the present study desires to find out.

3.4.3. Study 3: Internal factors related to the performance of the exporting leather footwear SME firms

Internal factors of any firm or business are the issues and aspects within the organization that impacts the approach and success of their operations. Hence, every firm must be aware about the strengths and weaknesses of their internal issues and know how it impacts the business performance. Nevertheless, this research also wishes to study the state of the different internal factors of the exporting SME leather footwear firms and their impact on the export performance.

The tables below show the variables taken up by this research study to measure internal factors of the leather footwear exporting firms.

Table 3.6: ***Items for Internal Factors***

Construct	Measure	Adapted From
Internal Factors	Place (Export Destinations)	JormaLarimo (2005) Brouthers, Lance Eliot; Nakos, George; Hadjimarcou, John; Brouthers, Keith D. (2009) Edward E. Marandu (2009) Deloitte (in consultation with NMCC) (2009)
	Product Segment	ICRA Management Consulting Services Limited (for CLE) (2008)
	Price Competitiveness	Edward E. Marandu (2009) APICCAPS(Portuguese Footwear, Components, Leather Goods Manufacturers' Association) (2011) Leonidas C. Leonidou (2014) Claude Obadia (2013)
	Promotional activities	June Francis and Colleen Collins-Dodd (2003) Yadav, D. S., Aggarwal Rajeev (2007) Magnus Hultman, Constantine S. Katsikeas, and Matthew J Robson (2011) Conference paper of Academy of

Construct	Measure	Adapted From
		Management (2013)
	Competitive Priorities	R.K Singh, S.K. Garg, and S.G Deshmukh (2008a) Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Cost Structure	ICRA Management Consulting Services Limited (on behalf of CLE) (2008) Deloitte (in consultation with NMCC) (2009) Economic Times (2013)
	Procurement of raw materials	ICRA Management Consulting Services Limited (on behalf of CLE) (2008) Marcel van den Berg (2013)
	Investment Priorities	Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)

Place: Place as an internal factor refers to the channel, or the route, or even the final market where the products move from the source to the final user. The right place means greater chances of sales over a longer period of time which translates into greater market share and more profits.

For an exporting firm, place can be the importing country and hence becomes very crucial to examine whether the exporting leather footwear firms are carrying out their business at the right place (i.e. importing markets) as per demand and competition. As a final point, the study also wishes to explore whether the choice of the right importing markets affects the export performance of the firms.

Product Segment: A product is an item offered for sale in the market, which must satisfy the needs of the consumer. By conducting slight variations to these products the firms can cater to different groups of customer base and this helps them to increase market share, improve revenues and reduce costs.

For an exporting leather footwear firm, the three broad categories of product segment are for ladies, men and children. A number of literatures, reveals that the ladies segment has the highest demand worldwide in terms of volume as well as value and is then followed by children and men. This research work

intends to find out whether actually the product segment influences the performance of the exporting firm.

Price Competitiveness: Price, from the company's point of view is what it receives in terms of money, in exchange for its products. On the other hand, price to the consumer is the amount he pays after buying a product. Now, setting the price of a product based on what the competitors are charging is called price competitiveness. This factor of price competitiveness can be very crucial for a price–sensitive product as it may increase or decrease your sales volume and hence the firm's profit. For an exporting firm, this price competition can be from national as well as international levels.

This study wishes to explore the fact whether price competitiveness has any significant role in the performance of the leather footwear exporting firms.

Promotional activities: Promotional activities refer to the entire set of activities, which communicate the product and brand to the user. It is only through promotional activities that a firm connects directly and can even influence the potential consumer. It also helps to remind the market and the consumer of the firm's existence.

However, though the Indian SME exporting firms have geared up with promotional ideas and activities, it is still a long way to go as still now majority of the firms work mainly on word of mouth. Hence, this research desires to find out the various ways the exporting leather footwear SME firms have started promoting their product and brand and how is this affecting their performance.

Competitive Priorities: Competitive priorities signify a holistic set of responsibilities, which should be performed by the manufacturing function in order to support the business strategy. Flynn and Flynn (2004) define it as the planned goals that guide strategic actions and resource allocation decisions. Four widely accepted competitive priorities are cost, delivery, quality and flexibility (Ward *et al*., 1995). However, a number of literatures have taken into

account different perspectives of competitive priorities keeping the segment of operation and the industry in account.

Keeping the leather footwear exporting sector in mind and finding out the areas where this sector is struggling in comparison to international competition, this study measures "competitive priority" from three different angles. This is shown in the table below:

Table 3.7: *Items for Competitive Priorities*

Construct	Measure	Adapted From
Competitive Priority	Product Quality	Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Timely Delivery	
	Labour Productivity	

Product Quality of a good like leather footwear is extremely critical as leather being the basic raw material has to undergo a number of environmental requirements. Yadav, D. S. and Aggarwal Rajeev (2007), finds that product quality and technology are the major factors behind the growth of the leather export sector. Terry McMallin (1995), shares that the quality and type of leather and the quality of the product determines the price and hence ultimately the export profit.

A number of former studies have come out with the fact that the delivery time and the labour productivity of India are far inferior as compared to China. Deloitte [(in consultation with NMCC), 2009] states that the Chinese labour productivity is higher by 33% than the Indian counterpart. Also, we get to know from the report of ICRA Management Consulting Services Limited [(on behalf of CLE), 2008], that the difference in delivery time is also far superior in China than in India.

Cost Structure: Cost structure refers to the types and relative proportions of fixed and variable costs that a business incurs. For exporting leather footwear

SME firms, there are certain broad categories under which cost has been measured. They are:

Table 3.8: ***Different cost components considered for the exporting leather footwear sector***

Excise and sales tax	Cost of power	Import duty on leather	Import duty on components	Import duty on machines	Cost behind raw materials as a whole	Labour wages	Logistics cost

All literature pertaining to cost to the leather footwear exporting industry from 2008 till 2013 have come up with the fact that export tax is still the major component of cost. One even states that India has a cost disadvantage to the extent of 15% vis-a-vis China (mostly because of taxes). This research work, intends to examine the proportion of cost of the exporting firms for the above categories and hence find the effects on performance.

Procurement of raw materials: The basic and important raw materials for the leather footwear industry comprises of: a) raw leather b) accessories or components and c) machines; which can either be procured domestically or can be imported. But previous studies show that exporting firms are dependent on importing the raw materials (all three of them) from abroad; either because of unavailability or due to the fact that the available version is of a very poor quality.

This study wants to explore this dependency on imports and how much it affects the performance of the firms in return.

Investment Priorities: This factor basically deals with the areas of importance for a particular exporting firm based on its future goals, time horizon and priorities and how accordingly it allocates its funds and money (i.e. invests) into those areas. The areas which have been considered for an exporting firm to invest and be future ready are:

Table 3.9: ***Different investment areas considered for the exporting leather footwear sector***

R&D	IT	Training of employee	Welfare of employees	Market research	Promotional activities	Automation of processes	Quality control measures	Product Design

So, apart from finding out the areas where the investments are focused in an exporting leather footwear SME firm, the research also intends to find out its relation with the performance of the said firm.

3.4.4. Study 4: External factors related to the performance of the exporting leather footwear SME firms

External environmental factors are the issues and elements that take place outside of the organization and are hard to predict and control. However, they affect the firm'**s** ability to function. Nevertheless, the firm has to act and react to those external factors and has to be on toes with the threats and opportunities arising out of them. Hence for an exporting firm, it becomes all the more necessary.

While in theory the approaches to analyze the external environment happens through the study of the macro environment (PESTE analysis) and micro environment (suppliers, competitors, intermediaries and customers), empirical studies often create constructs that are a combination of the aforementioned categories.

The tables below show the variables taken up by this study to measure the external factors of the leather footwear exporting firms.

Table 3.10: ***Items for External Factor***

Construct	Measure	Adapted From
External Factors	Physical Infrastructure	Reports from United Nations Industrial Development Organization (2000) Paper by Morgan Stanley Investment Management (2008) Deloitte (in consultation with NMCC) (2009) CRISIL's report (in consultation with NMCC) (2009) Reports from Department of Industrial policy and promotion (2011)
	Support Infrastructure	Deloitte (in consultation with NMCC) (2009) Reports from Department of Industrial policy and promotion (2011) Reports from Department of Industrial and Scientific Research (2011) Reports from United Nations Industrial Development Organization (2012)
	Features of Cluster	Giovanna Ceglie Marco Dini (1999) Reports from United Nations Industrial Development Organization (2001) Adrian T.H. Kuah (2002) Report from Kleinhardt–FGI Corporate Advisors (2002) Wenghou_Huang (2011)
	Global Issues	ICRA Management Consulting Services Limited (on behalf of CLE) (2008) Number of secondary sources
	Government's support	Reports from Department of Industrial policy and promotion (2011) Report on the twelfth five year plan for Leather and Leather products (2011) Report from CLE (2013) Zhao, Jing (2014)

Physical Infrastructure: These are the physical components and facilities which exist in the form of either commodities or services and help a business firm to survive, sustain and enhance their operations. Typically, for exporting

leather footwear firms, the physical infrastructures which are very important are power and water supply, logistics and transportation and solid waste management.

Support Infrastructure: This segment refers to the fundamental facilities, other than the basic physical infrastructure, which is necessary to make the exporting segment of the leather footwear industry efficient and competent. A number of reports describe the situation of these fundamental facilities and they are: the Materials / Components market, Tanneries supplying raw leather, Design and product development studios, Effluent treatment plants, Buyer interaction showrooms, Testing Laboratories and Skilled Manpower.

Features of Cluster: Cluster is defined as a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue that share specialized infrastructure, labour markets and services and that are faced with common opportunities and threats (Rosenfeld 1997).Clusters, according to Porter (1998a:197) is a 'geographic concentration of interconnected companies, specialized suppliers, service providers, firms in related industries and associated institutions in particular fields that competes but also cooperates'.

The process of identifying, defining, and describing a cluster is not standardized and so individual economic consultants and researchers had developed their own methodologies. Going through the literatures mentioned in Table 3.10, this research work looks into the activities of a cluster from three different angles:

a) *Horizontal cluster:* In this form of cluster we find interconnections between competitor firms, within the same geographical unit, at a resource sharing level. The features through which horizontal clustering is being measured in this study are:

   i) sharing of bulk orders,

   ii) bulk purchase of raw materials,

iii) sharing of market leads,

iv) sharing of joint established retail shops between competitor firms,

v) collective learning of process innovation,

vi) collective learning of product design innovation

vii) collective investments behind equipment's and machineries

b) *Vertical cluster:* In this form of cluster, the firms are associated or networked with various forms of the supply chain and the chain extends from upstream to downstream, ranging from raw materials to the final product. The features through which vertical clustering is being measured in this study are:

i) common raw material supply center,

ii) common loan authorizing center

iii) development of sector specific human resource skills

iv) presence of common facilities (like effluent treatment plant, testing laboratories etc.)

v) presence of SEZ's

c) *Associated institutes in the cluster:* The definition as given by Porter clearly indicates that there is an important role of associated institutes in an industrial cluster. These institutes can be government funded or can even be private. Whatever, may be, the sole goal of these institutes is to help the firms within the cluster with specific and specialized assistance and aid so that the industry as a whole flourishes. This study has taken into account the major institutes associated with the leather footwear sector and wishes to evaluate the roles performed by them in serving the exporting firms, present in the cluster. The institutes considered are: Council for Leather Exports (CLE), Footwear Design and Development Institute (FDDI), Central Footwear Training Institute (CFTI), District Industries Center (DIC), Central Leather Research Institute (CLRI) and All India Skin and Hide Tanners and Merchants Association (AISHTMA).

As a whole, the research study intends to explore the presence of specific features of the different forms of clustering and ultimately whether it is making a difference in the performance of the exporting firms.

Global Issues: Global issues are those which have significant impact on the operations of a business firm and can arise from any part of the world in any form. Keeping the leather footwear export units in mind, the global issues which this study wishes to address are international demand and competition from different angles w.r.t. trade agreements, leather as raw material, duty and taxes etc.

The role of global demand, arising from the importing markets (both traditional and emerging), plays a very important role which impacts the very existence of the exporting firms. This study notes the changing patterns of demand from specific importing countries.

With respect to international competition, the research intends to find out the difference between India, China and Vietnam in their trade agreements with the importing markets, their duty and tax rates and also the leather endowment present in the economies.

Government's Support: The Government has long back recognized the importance of the leather sector in India and hence in the 12th Five Year Plan (2012-2017), has approved for Rs 600-crore mega leather cluster development scheme. As per the scheme, it is proposed to develop Greenfield Mega Leather Clusters in the States having large concentration of leather units and also in states having potential for growth of the leather sector. These Mega Leather Clusters, which will have world class infrastructure and support services, will play a crucial role in enhancing the capacity of the Indian leather industry.

Government offered numerous supports by implementing zero duty on import of any raw materials for the industry and permitting 100 percent foreign equity via the automatic route. The Footwear sector has been de-licensed and de-reserved, to introduce competition in the SME units, paving the way for

expansion of capacities on modern lines with state-of-the-art machinery. The Government has even set up dedicated Footwear Complex and Footwear Components Part where footwear clusters are located.

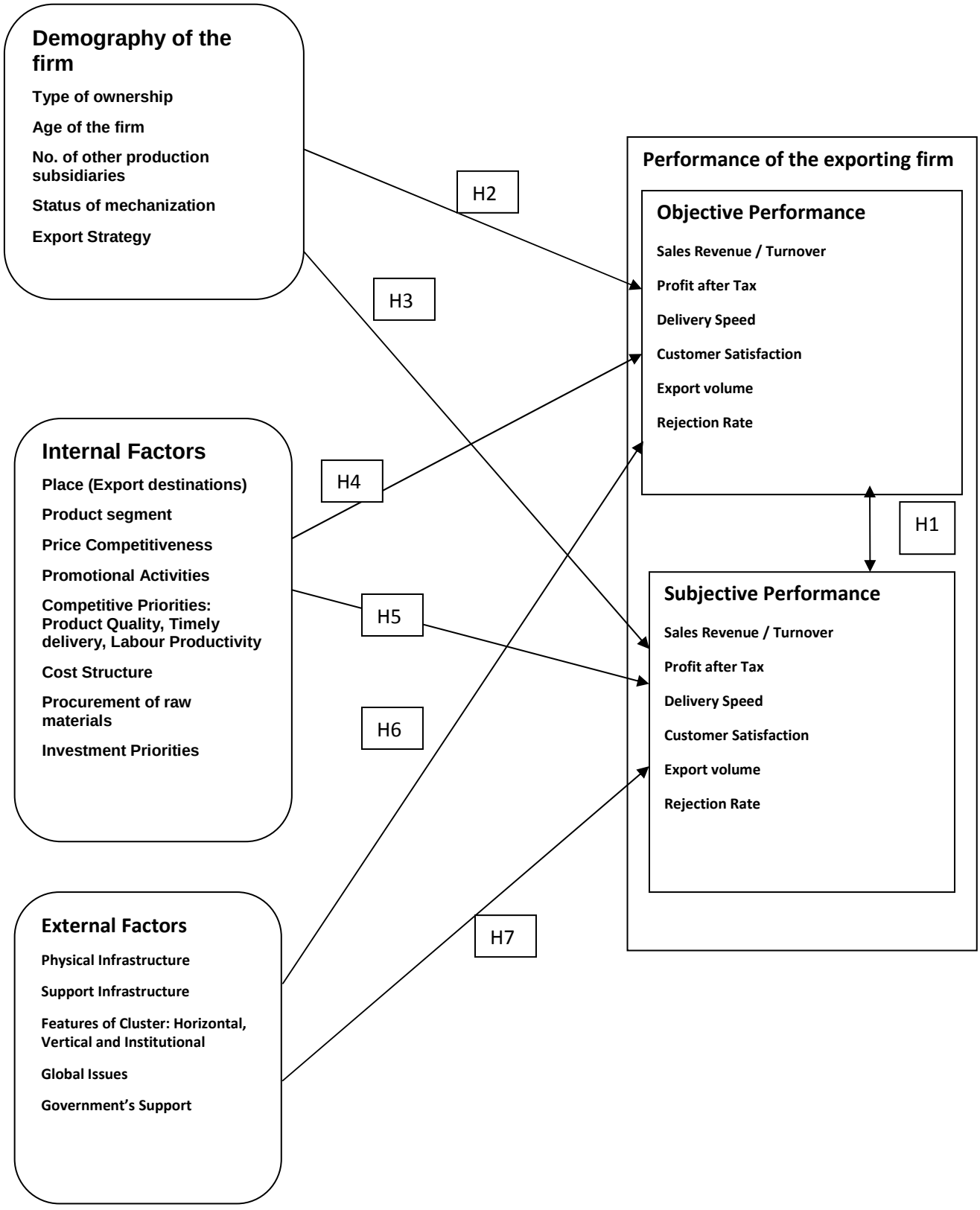
The report by CLE (2013) re-states the fact that from 2nd December 2009, 60% export duty is levied on export of raw hides & skins and also semi-processed leathers by the Director General of Foreign Trade. The CLE had requested the Government of India to implement a system so as to prevent any illegal export of raw or semi-processed leathers as such illegal exports lead to raw material shortage in the country. This measure has also been taken to help out the leather footwear units so that the dependency on importing raw hides comes down.

Zhao, Jing (2014), in his paper "The effect of export taxes on Ethiopia's leather industry", inspects whether the procedures of export taxes (150% on semi-processed wet blue skin & 150% on higher value crust leather) had brought about productivity growth in the leather industry in Ethiopia. In his study, the author measures the effect of export taxes by measuring the amount of exports of wet blue skin and the increase in income and employment in the finished leather manufacturing units.

Keeping the intentions of the Indian government in mind, this research study intends to explore whether the imports of raw hides had actually come down in the leather footwear manufacturing units.

It also intends to find out the capacities where the Government has actually been successful and the areas where it still needs to pull up, from the view point of the exporting leather footwear firms.

Diagrammatic representation of the Research Framework:



3.5.1 Hypothesis: Study 1

SMEs are often very reluctant to publicly reveal their actual financial performance, and scholars have deliberated on the need for subjective measures in evaluating business performance. Even if objective data is made available, the data often do not fully represent firms' actual performance, as managers may manipulate the data to avoid personal or corporate taxes (Dess & Robinson, 1984; Sapienza et al., 1988). Research on SMEs is particularly susceptible to these difficulties. Consequently, managers are often encouraged to evaluate business performance through general subjective measures that can reflect more-specific objective measures (Wall et al., 2004).

A number of literatures have even propounded using both the objective and subjective measures in assessing the performance of the SMEs. John Dawes, 1999, has not only used both the methods, but has even examined the link between subjective performance measures and objective ones. It finds that there is a strong correlation between objective and subjective performance measures and concludes that researchers should attempt to validate their results by using both types of measures.

The table below shows the result of validity tests related to subjective and objective measurement in business performance.

Table 3.11: ***Results of Different Validity Tests to Measure Business Performance***

Validity Type	**Results**
Convergent	Subjective performance measures are related to objective measures.
Discriminant	Relationships between subjective and objective measures are systematically stronger than relationships between different performance constructs measured using the same method (either subjective or objective).
Construct	a) Relationships between subjective and objective performance measures with a series of independent variables are equivalent. b) Subjective performance measurement has a statistically significant correlation with objective measurement. c) Subjective measurement shows a 95% success rate as compared with objective measurement.

Source: Adapted from Wall et al. (2004)

Hence, the present research work has also developed objective as well as subjective measures for every construct to evaluate performance. Therefore the Hypothesis which follows is:

$H_0$1: There is no significant relationship between Subjective performance and the Objective performance of the firms.

3.5.2 Hypothesis: Study 2

After reviewing several literatures, demography has come out to be one of the essential factors which do affect the performance of a business unit from several angles. Accordingly, this research also wishes to study the impact of different demographical factors on the overall performance of the exporting firm, which is measured in terms of objective and subjective performance. Therefore, the broad Hypotheses which follow are:

$H_0$2: Demography of the exporting leather footwear SMEs has no impact on the Objective performance of the firms.

$H_0$3: Demography of the exporting leather footwear SMEs has no impact on the Subjective performance of the firms.

Zulima Fernández & María Jesús Nieto (2006), in their paper **"**Impact of ownership on the international involvement of SMEs", analyzes the relationship between the internationalization strategies of SMEs and types of ownership. Results show that internationalization is negatively related to family ownership and positively related to corporate ownership. The paper also observed that the presence of a corporate block holder in family firms encourages internationalization. These results support the idea that ownership type influences the decision to internationalize.

On the contrary, Jesús Herrera Madueño, Manuel Larran Jorge and Gonzalo Sánchez Gardey (2011), in their paper "Effects of family ownership on SME performance", finds that there is no difference in the efficiency and performance between the family owned and non-family owned SME firms.

This research work follows the indication as given by the latest study and hence the hypotheses are as follows:

$H_0$2.1: There is no significant difference in the mean objective performance of the exporting SME firms across ownership patterns

($H_0$2.1: μ obj perf $_{proprietorship}$ = μ obj perf $_{partnership}$ = μ obj perf $_{private\ ltd.}$ = μ obj perf $_{public\ ltd}$)

$H_0$3.1: There is no significant difference in the mean subjective performance of the exporting SME firms across ownership patterns

($H_0$3.1: μ sbj perf $_{proprietorship}$ = μ sbj perf $_{partnership}$ = μ sbj perf $_{private\ ltd.}$ = μ sbj perf $_{public\ ltd}$)

Sumit Kr. Mazumdar (1997) in his paper "The Impact of Size and Age on Firm-Level Performance: Some Evidence from India" discovers that in India older firms are found to be more productive and less profitable in comparison with younger firms. Claudio Loderer and Urs Waelchli (2010), in their study "Firm Age and Performance" comes out with the same findings that as firms grow older, their profitability seems to decline. The authors explain aging firms reflect organizational rigidities over time. Moreover, older firms will have rising costs, slow growth, obsolete assets and declining investment and R&D activities.

However, Anup Kumar Bhandari (2010) who has specifically dealt with the Indian leather sector in his study "GLOBAL CRISIS, ENVIRONMENTAL VOLATILITY AND EXPANSION OF THE INDIAN LEATHER INDUSTRY" finds that the technical efficiency of the firms do not decline with the aging of the firms.

Therefore the Hypotheses which follow are:

$H_0$2.2: Age of the firm has no significant relation with its objective performance

$H_0$3.2: Age of the firm has no significant relation with its subjective performance

A subsidiary is a company that is owned or controlled by another company, which is called the parent company or holding company. This study wants to figure out whether having production subsidies elsewhere in India actually makes a difference in the performance of the SME exporting firms.

Therefore the Hypotheses which follow are:

$H_0$2.3: There is no significant difference in the mean objective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

($H_0$2.3: μ obj perf $_{\text{prod subsidiary present}}$ = μ obj perf $_{\text{prod subsidiary absent}}$)

$H_0$3.3: There is no significant difference in the mean subjective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

($H_0$3.3:μ sbj perf $_{\text{prod subsidiary present}}$ = μ sbj perf $_{\text{prod subsidiary absent}}$)

Mechanization in the leather footwear firms basically implies the usage of machines and technology in different stages of the production process. This study wishes to see how many SME units have become fully mechanized and how many are still semi-mechanized till date and the impact the mechanization of the production process has on the export performance.

Therefore the hypotheses which follow are:

$H_0$2.4: There is no significant difference in the mean objective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

($H_0$2.4: μ obj perf $_{\text{fully mechanized firms}}$ = μ obj perf $_{\text{semi mechanized firms}}$)

$H_0$3.4: There is no significant difference in the mean subjective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

($H_0$3.4:μ sbj perf $_{\text{fully mechanized}}$ = μ sbj perf $_{\text{semi mechanized}}$)

Lee and Griffith (2004) in their paper "The Influence of Export Marketing Strategy Determinants on Firm Export Performance: A Review of Empirical literatures Between 1993-2010" explained that exporter channel strategy is imagined as the degree to which a firm applies direct instead of indirect channels for exporting its products and it is evaluated by gathering the ratio of direct exports to indirect exports of the whole exports. They concluded that direct exporting channel would affect export performance positively.

Hence, the hypotheses which follow are:

$H_0$2.5: There is no significant relationship between the export strategy and the objective performance of the firms.

$H_0$3.5: There is no significant relationship between the export strategy and the subjective performance of the firms.

3.5.3 Hypothesis: Study 3

Internal factors exert a specific influence and thus constitute the core factors of a firm. More specifically, these constitute certain strategic characteristics of the firm and hence are considered more or less controllable at the level of the individual firm. Nevertheless it becomes absolutely important to find the impact of these internal factors on the performance of the exporting leather footwear firms.

Therefore the hypotheses are as follows:

$H_0$4: Internal factors have no significant impact on the Objective performance of the leather footwear exporting SMEs.

$H_0$5: Internal factors have no significant impact on the Subjective performance of the leather footwear exporting SMEs.

The first rational step of an exporting firm following product-market strategy is market selection, which is the choice of which countries to export to and which

customer segments to serve in the chosen countries. A whole lot of literature has tried to figure out whether market concentration (i.e. exporting to fewer countries) or market spreading (i.e. exporting to many countries) enhances export performance. However, the results are conflicting.

Jorma Larimo (2005) in her paper "Different Types of Exporting SMEs: Similarities and Differences in Export Performance", comes out with the facts that export performance is positively impacted by market diversification. On the contrary, *Brouthers, Lance Eliot, Nakos, George, Hadjimarcou, John and Brouthers, Keith D, (2009)* worked with samples taken from small firms of Greece and Caribbean countries in their paper "Key Factors for Successful Export Performance for Small Firms", and showed that greater a firm's concentration of export sales in a single foreign market, the greater is its export performance. The authors here found that if small firms have limited resources they should emphasize on international sales while restricting exports to few foreign markets.

Edward E. Marandu (2009) in his paper "STRATEGY FACTORS ASSOCIATED WITH THE EXPORT PERFORMANCE OF MANUFACTURING FIRMS" aims to see whether the number of markets served was associated with export performance. The results showed that the average number of markets served was slightly higher for High Exporters (at 1.8 markets) than for Low Exporters (at 1.7) markets), but the differences were not significant on the T-test of differences between category means.

In this research, it was realized through secondary data that competitor countries for leather footwear export like China and Vietnam could edge over their percentage contribution to world export because of their market spread by catering to emerging markets.

Therefor the Hypotheses which follow are:

$H_0$4.1: Spreading out to emerging markets has no significant relation with the objective performance of the firms.

$H_0$5.1: Spreading out to emerging markets has no significant relation with the subjective performance of the firms.

The following logical stride in the product-market strategy concept is deciding on the product and product segment that will be served in the chosen markets.

For an exporting leather footwear firm, the three broad categories of product segment are for ladies, men and children. A number of literatures, reveals that the ladies segment has the highest demand worldwide in terms of volume as well as value and is then followed by children and men. So is it true that the firms which cater to ladies segment only or has a higher share in the ladies segment have a higher level of performance than the fellow competitors?

Therefore the hypotheses which follow are:

$H_0$4.2: The product category (ladies segment) has no significant relation with the objective performance of a firm.

$H_0$5.2: The product category (ladies segment) has no significant relation with the subjective performance of a firm.

An imperative, but often ignored, strategic area of exporting is pricing in foreign markets. With respect to price competitiveness, Edward E. Marandu (2009) in his study examined the relationship between price competitiveness and export performance where it was revealed that prices are inversely and significantly related to performance. In other words, price competitiveness is positively and significantly associated with export performance.

As demonstrated in “Competitive Export Pricing: The Influence of the Information Context,” by Calude Obadia (2013), the manipulation of export prices is greatly influenced by the level of competitive intensity. Under conditions of foreign market ambiguity, where the quality of information received is deficient, exporters tend to manipulate various price dimensions, such as volume discounts, credit terms and special prices for new products, because operating in unfamiliar and complex foreign business environments

initiates a sense-making process that pushes a firm to change its current behavior. However, under conditions of high information asymmetry, where the exporter lacks information regarding the activities of his or her import customers, such manipulations of price can seriously damage export performance. The findings suggest that exporters manipulate prices when confronted with competitive and ambiguous foreign markets. Though, in most cases, these price manipulations have no impact on performance. Furthermore, when information asymmetry is high, export price manipulations deteriorate performance.

Therefore the hypotheses which follow are:

$H_0$4.3: There is no significant difference in the mean objective performance of the exporting SME firms across levels of price competitiveness

($H_0$4.3: μ obj perf $_{\text{better than competitors}}$ = μ obj perf $_{\text{same as competitors}}$ = μ obj perf $_{\text{not good as competitors}}$= μ obj perf $_{\text{not sure}}$)

$H_0$5.3: There is no significant difference in the mean subjective performance of the exporting SME firms across levels of price competitiveness

($H_0$5.3: μsbj perf $_{\text{better than competitors}}$ = μ sbj perf $_{\text{same as competitors}}$ = μ sbj perf $_{\text{not good as competitors}}$= μ sbj perf $_{\text{not sure}}$)

It is generally found that SME exporting firms are incapable or reluctant to pursue export sales aggressively through promotional activities because of lack of experience, limited resources or other perceived or real obstacles. The Conference paper of Academy of Management (2013) identified four types of SME with regard to their use of promotional activities. These were: a) active – firms that made use of more than one communications channel b) inactive – firms that used no communications channels (c) focused on interactive communication – firms that used digital and direct marketing d) focused on trade shows – firms that used only this channel only

June Francis and Colleen Collins-Dodd (2003), in their study "Impact of Export Promotion Programs on Firm Competencies, Strategies and Performance: The Case of Canadian High-Technology SMEs", wishes to investigate whether export promotion programs boost export competencies. This study also examines the degree to which firms' use of a greater number of export assistance promotional programs has a measurable impact on export performance. The results show that the export assistance promotional programs appear to have their greatest impact for firms at the beginning and developing stages of their export activity, and made more limited contributions to firms that were either essentially non-exporters or experienced exporters.

Magnus Hultman, Constantine S. Katsikeas and Matthew Robson (2011) in their paper "Export Promotion Strategy and Performance: The Role of International Experience," the authors indicate that, on one hand, as a firm gains more experience over time, it is in a better position to understand local customer preferences and appreciate the aspects of a promotional program that can be standardized in a more cost-efficient way. The paper more or less states the same findings as in export promotional activities positively affects performance only in the case of firms with low international experience in terms of both duration and intensity.

Therefore the hypotheses which follow are:

$H_0$4.4: There is no significant difference in the mean objective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

($H_0$4.4: μ obj perf $_{\text{promotional activities present}}$ = μ obj perf $_{\text{promotional activities absent}}$)

$H_0$5.4: There is no significant difference in the mean subjective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

($H_0$5.4:μ obj perf $_{\text{promotional activities present}}$ = μ obj perf $_{\text{promotional activities absent}}$)

Globalization has made the business environment more turbulent, complex and unpredictable and this has intensified the competitive pressures. Companies should confront to radical changes and strategies to which they should adapt to survive and prosper (Brown and Eisenhardt, 1998). Hence, competitive priorities connote a set of strategies and tactics which should be performed by the business unit in order maintain its very existence in this competitive environment.

Ting Chi (2006) examines the relationship between a company's business environment, competitive priorities, supply chain structure and business performance. The concerned study actually tested the hypothesis that there is a positive causal relationship between competitive priorities and business performance of US technical textile companies.

A number of studies have taken into account different angles of competitive priorities keeping the segment of operation and the industry in account. Singh *et al.* (2008a) while dealing with the auto component sector for SMEs have considered cost reduction, product quality and delivery in time the major competitive priorities. Rajesh K. Singh, Suresh K. Garg and S.G Deshmukh (2010) in their paper "Strategy Development by small scale industries in India" had identified twelve concerns to measure competitive priorities of the SME firms through a five point Likert scale.

Keeping the leather footwear exporting sector in mind and finding out the areas where this sector is struggling in comparison to international competition, this study measures "competitive priority" from three different angles viz. Product quality, Delivery time and Labour productivity.

Therefore the hypotheses which follow are:

$H_0$4.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the objective performance of the exporting firms.

$H_0$5.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the subjective performance of the exporting firms.

ICRA Management Consulting Services limited (on behalf of CLE), 2008 came up with the broad cost headings which any leather footwear firm incurs. Out of those cost elements, the paper finds India has a cost disadvantage to the extent of 15-16% vis-a-vis China mostly because of trade taxes. A newspaper article of Economic Times (2013), quotes the president of All India Footwear Association as claiming that the export taxes of the footwear segment is quite high as compared to the apparel segment. Also, many manufacturers of leather footwear units are of the opinion that due to heavy taxation, the MRP of the Indian products internationally goes up by 15% and hence they fail to compete against the rival countries. According to them, trade tax reforms in this sector would help enhance footwear exports by around 200 percent to 300 percent and the market would grow by at least 30 percent in the region.

This research work has taken all the cost components which the report of ICRA has come up with and wishes to examine the relationship between export taxes and performance, apart from finding out the cost component which is supreme amongst the leather footwear exporting firms.

Therefore the hypotheses which follow are:

$H_0$4.6: Different cost components have no significant relation with the objective performance of the exporting firms.

$H_0$5.6: Different cost components have no significant relation with the subjective performance of the exporting firms.

Marcel van den Berg (2013) in his paper “Importing, Productivity and SMEs: firm-level evidence from the Netherlands” investigates the direction of causality between import status and productivity of a firm by testing the self-selection and learning by-doing hypotheses. Firm level evidence suggests

that firms importing inputs are indeed more productive than firms that source inputs solely domestically. Also, two-way traders are consistently considered to be among the most productive firms, indicating that firms need to have a certain threshold level of productivity in order to be able to bear the costs associated with an import start.

Therefore the hypotheses which follow are:

$H_0$4.7: Imports of raw materials has no significant relation with the objective performance of the exporting firms.

$H_0$5.7: Imports of raw materials has no significant relation with the subjective performance of the exporting firms.

Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010), in their paper "Strategy Development by small scale industries in India", had explored the investment priorities of the small scale sectors in India and examined the relationship of performance with these investment priorities. The study has taken up nine different capacities wherein a business firm would like to invest in. The findings show us; 'Market Research', 'R&D' and 'Welfare of Employees' to be the priority areas for investment and also they have a high positive correlation with the performance of the firm. On the other hand, 'Training of employees' and 'Advertisement' has come to be areas where investment is negligible.

Therefore the hypotheses which follow are:

$H_0$4.8: There is no significant difference in the mean objective performance of the exporting SME firms across different investment priorities

($H_0$4.8: μ obj performance $_{rank1j}$ = μ obj performance $_{rank2j}$ = μ obj performance $_{rank3j}$ = μ obj performance $_{rank4j}$ = μ obj performance $_{rank5j}$ = μ obj performance $_{rank6j}$ = μ obj performance $_{rank7j}$ = μ obj performance $_{rank8j}$ = μ obj performance $_{rank9j}$); where j stands for the different areas of

investment & rank denotes the ranks given by the firms to different areas of investment

$H_0$5.8: There is no significant difference in the mean subjective performance of the exporting SME firms across different investment priorities

($H_0$5.8: μ sbj performance $_{rank1j}$ = μ sbj performance $_{rank2j}$ = μ sbj performance $_{rank3j}$ = μ sbj performance $_{rank4j}$ = μ sbj performance $_{rank5j}$ = μ sbj performance $_{rank6j}$ = μ sbj performance $_{rank7j}$ = μ sbj performance $_{rank8j}$ = μ sbj performance $_{rank9j}$); where j stands for the different areas of investment & rank denotes the ranks given by the firms to different areas of investment

3.5.4 Hypothesis: Study 4

Since the external environment predominantly disturbs the survival and the growth of the business entities, examining how the external environment affects the performance of businesses becomes extremely crucial. Consequently, this research also wishes to study the situation of the different external factors in which the exporting SME leather footwear firms thrive and their impact on the export performance.

Therefore the hypotheses which follow are:

$H_0$6: External factors have no significant impact on the Objective performance of the exporting firms.

$H_0$7: External factors have no significant impact on the Subjective performance of the exporting firms.

Morgan Stanley Investment Management came out with a paper named “Emerging Markets Infrastructure: Just Getting Started” in 2008, to examine and compare the infrastructure status (in terms of power, electricity, means of communication and water supply) of a number of emerging nations as it is felt that a boom in infrastructure building is underway across emerging markets.

From airports to power, ports to railways, real estate, and water, governments and private sector players of the emerging markets are deploying enormous amounts of capital to upgrade the emerging world.

The paper published by Deloitte (in consultation with NMCC) in 2009 states that China's infrastructure is ranked higher than India's infrastructure in all the sub-sectors (Electricity, Water, Roads and Ports) which helps in its development of trade.

Reports from UNIDO states that the leather processing industry produces large amounts of solid organic wastes in the form of un-tanned (trimmings, fleshing, splits) and tanned (trimmings, splits and shavings) waste from raw hides and skins. If these solid wastes are not properly treated and disposed of, they can cause environmental damage to soil and groundwater as well as emissions of odour and poisonous gases into the atmosphere. Footwear is the sector which "consumes" the major part of leather (60 %). Logically, this industry is producing the largest quantity of leather wastes.

Hence keeping the leather footwear sector in mind, apart from the basic physical infrastructure like power, electricity, means of communication and water supply; this research study takes into account solid waste management also.

Therefore the hypotheses which follow are:

$H_0$6.1: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of physical infrastructure

($H_0$6.1: μ obj performance $_{rank1j}$ = μ obj performance $_{rank2j}$ = μ obj performance $_{rank3j}$ = μ obj performance $_{rank4j)}$; where j stands for the different areas of physical infrastructure & rank denotes the ranks given by the firms to different areas of physical infrastructure

$H_0$7.1: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of physical infrastructure

($H_0$7.1: μ sbj performance $_{rank1j}$ = μ sbj performance $_{rank2j}$ = μ sbj performance $_{rank3j}$ = μ sbj performance $_{rank4j)}$; where j stands for the different areas of physical infrastructure & rank denotes the ranks given by the firms to different areas of physical infrastructure

The Twelfth Five year Plan (2012-2017), as prepared by the Planning Commission of India, speaks about the different developments emerging in the area of fundamental infrastructure and facilities (viz. the Materials / Components market, Tanneries supplying raw leather, Design and product development studios, Effluent treatment plants, Buyer interaction showrooms, Testing Laboratories and Skilled Manpower) in the leather footwear segment. The expanding national infrastructure for the leather industry is being built through a combination of government and industry financing. On the central government's side, about Rs 400 crore has been approved under different heads for infrastructure. The improved prospects for these fundamental infrastructures are expected to lead to a significant boom in the leather footwear segment.

Hence, this research work intends to find out the scenario of these essential infrastructures from the company's viewpoint and evaluate the relationship between them and the performance of the exporting firms.

Therefore the hypotheses which follow are:

$H_0$6.2: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of support infrastructure

($H_0$6.2: μ obj performance $_{rank1j}$ = μ obj performance $_{rank2j}$ = μ obj performance $_{rank3j}$ = μ obj performance $_{rank4j}$= μ obj performance $_{rank5\ j}$ = μ obj performance $_{rank6\ j}$ = μ obj performance $_{rank7\ j}$); where j stands for the

different areas of support infrastructure & rank denotes the ranks given by the firms to different areas of support infrastructure

$H_0$7.2: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of support infrastructure

($H_0$7.2: μ sbj performance $_{rank1j}$ = μ sbj performance $_{rank2j}$ = μ sbj performance $_{rank3j}$ = μ sbj performance $_{rank4j}$= μ sbj performance $_{rank5\ j}$ = μ sbj performance $_{rank6\ j}$ = μ sbj performance $_{rank7\ j}$); where j stands for the different areas of support infrastructure & rank denotes the ranks given by the firms to different areas of support infrastructure

A great deal of literature (discussed before),deals with the different components of a cluster and how they are present in other competitor countries like China (specifically), to reap benefits in the exporting units of leather footwear. Studies have also come up with the fact that in India the presence of a cluster in an overall sense is absent in the leather footwear sectors.

This research intends to examine the presence or absence of some specific features of the cluster and ultimately whether it is making a difference in the performance of the exporting leather footwear firms.

Therefore the hypotheses which follow are:

$H_0$6.3a: Horizontal clustering between firms has no significant relation with the objective performance of the exporting firms.

$H_0$7.3a: Horizontal clustering between firms has no significant relation with the subjective performance of the exporting firms.

$H_0$6.3b: Vertical clustering facilities as provided by the government have no significant relation with the objective performance of the exporting firms.

$H_0$7.3b: Vertical clustering facilities as provided by the government have no significant relation with the subjective performance of exporting firms.

Summary Tables for Hypothesis

Table 3.12: *Summary of Hypothesis pertaining to Study 1*

Study 1: Studying the Performance of the exporting leather footwear SME firms
$H_0$1: There is no significant relationship between Subjective performance and the Objective performance of the firms.

Table 3.13: *Summary of Hypotheses pertaining to Study 2*

Study 2: Demography of the exporting leather footwear SME firms and its relation with performance
$H_0$2: Demography of the exporting leather footwear SMEs has no impact on the Objective performance of the firms. $H_0$2.1: There is no significant difference in the mean objective performance of the exporting SME firms across ownership patterns $H_0$2.2: Age of the firm has no significant relation with its objective performance $H_0$2.3: There is no significant difference in the mean objective performance between the exporting SME firms where production subsidiary is present and firms where it is absent $H_0$2.4: There is no significant difference in the mean objective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms $H_0$2.5: There is no significant relationship between the export strategy and the objective performance of the firms.
$H_0$3: Demography of the exporting leather footwear SMEs has no impact on the Subjective performance of the firms. $H_0$3.1: There is no significant difference in the mean subjective performance of the exporting SME firms across ownership patterns $H_0$3.2: Age of the firm has no significant relation with its subjective performance $H_0$3.3: There is no significant difference in the mean subjective performance between the exporting SME firms where production subsidiary is present and

firms where it is absent $H_0$3.4: There is no significant difference in the mean subjective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms $H_0$3.5: There is no significant relationship between the export strategy and the subjective performance of the firms.

Table 3.14: ***Summary of Hypotheses pertaining to Study 3***

Study 3: Internal factors related to the performance of the exporting leather footwear SME firms
$H_0$4: Internal factors have no significant impact on the Objective performance of the leather footwear exporting SMEs. $H_0$4.1: Spreading out to emerging markets has no significant relation with the objective performance of the firms. $H_0$4.2: The product category (ladies segment) has no significant relation with the objective performance of a firm. $H_0$4.3: There is no significant difference in the mean objective performance of the exporting SME firms across levels of price competitiveness $H_0$4.4: There is no significant difference in the mean objective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent $H_0$4.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation on the objective performance of the exporting firms. $H_0$4.6: Different cost components have no significant relation with the objective performance of the exporting firms. $H_0$4.7: Imports of raw materials has no significant relation with the objective performance of the exporting firms. $H_0$4.8: There is no significant difference in the mean objective performance of the exporting SME firms across different investment priorities

$H_0$5: Internal factors have no significant impact on the Subjective performance of the leather footwear exporting SMEs.

$H_0$5.1: Spreading out to emerging markets has no significant relation with the subjective performance of the firms.

$H_0$5.2: The product category (ladies segment) has no significant relation with the subjective performance of a firm.

$H_0$5.3: There is no significant difference in the mean subjective performance of the exporting SME firms across levels of price competitiveness

$H_0$5.4: There is no significant difference in the mean subjective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

$H_0$5.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant impact on the subjective performance of the exporting firms.

$H_0$5.6: Different cost components have no significant relation with the subjective performance of the exporting firms.

$H_0$5.7: Imports of raw materials has no significant relation with the subjective performance of the exporting firms.

$H_0$5.8: There is no significant difference in the mean subjective performance of the exporting SME firms across different investment priorities

Table 3.15: ***Summary of Hypotheses pertaining to Study 4***

Study 4: External factors related to the performance of the exporting leather footwear SME firms
$H_0$6: External factors have no significant impact on the Objective performance of the exporting firms. $H_0$6.1: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of physical infrastructure $H_0$6.2: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of support infrastructure $H_0$6.3a: Horizontal clustering between firms has no significant relation with the objective performance of the exporting firms. $H_0$6.3b: Vertical clustering facilities as provided by the government have no significant relation with the objective performance of the exporting firms.
$H_0$7: External factors have no significant impact on the Subjective performance of the exporting firms. $H_0$7.1: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of physical infrastructure $H_0$7.2: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of support infrastructure $H_0$7.3a: Horizontal clustering between firms has no significant relation with the subjective performance of the exporting firms. $H_0$7.3b: Vertical clustering facilities as provided by the government have no significant relation with the subjective performance of exporting firms.

3.6 Research Approach and Instrument

In order to collect information about the relationships that exist and to describe the world as it exists, a descriptive study is required to be undertaken. Descriptive studies can answer questions such as “What is” or

"What was". It is done without changing the environment. A descriptive study can provide information about the naturally occurring behavior, attitudes and other characteristics of a particular group. In this study, the research questions are concerned with the demographic factors, internal factors and external factors that related and associated to higher performance of the leather footwear exporting SME firms.

Also, the concerned research is mostly quantitative in nature, as a set of large representative sample has been asked to provide their opinions on certain parameters in a structured way.

To collect data, the survey method was used - with responses being collected with the help of a structured questionnaire. The structured questionnaire had the questions in a prearranged order and measured the responses with different kinds of questions put together.

The survey method has the advantages of being simple to administer, reliable as responses are limited and reduced variability in answers. The coding, analysis and interpretation of data are relatively simple too (Malhotra, 2008).

For the purpose of the study, the questionnaire has four different sections (though not disclosed to the recipients) distributed among thirty diverse question patterns; some being rating, some is ranking, some under Likert scale and some being simple attribute scales. Question number one to five enquires about the demography of the firm; question number six to twelve deals with the objective and subjective performance of the firms; question number thirteen to twenty explores about the internal factors present in the firm and lastly question number twenty one to thirty finds out about the circumstances of the external factors in which the firms thrive.

The tables below pronounce each construct with its measure, variable code and question number, keeping the study in mind:

(The literature attached to each measure has been discussed in the *Research Framework)*

Table 3.16: ***Measures, variable codes & question numbers of different constructs***

Study 1: Performance of the leather footwear exporting firms			
Construct	Measure	Variable code	Question Number
Performance (Both Objective and Subjective)	Sales Revenue	SAL_REV	6a, 6b
	Profit after tax	PAT	7a, 7b
	Export Volume	EXP_VOL	8a, 8b, 9
	Rejection Rate	REJ_RATE	10a, 10b
	Delivery Speed	DEL_SPD	11a, 11b
	Customer Satisfaction	REP_CUST	12a, 12b
Study 2: Demography of the leather footwear exporting firms			
Construct	Measure	Variable code	Question Number
Demography	Type of Ownership	OWSHP	1
	Age of the firm	AGE	2
	Presence of other production subsidiary	SBSD	3a, 3b
	Status of mechanization	MCHNZN	4
	Export Strategy	EXP_STRG	5
Study 3: Internal factors of the leather footwear exporting firms			
Construct	Measure	Variable code	Question Number
Internal Factors	Place (Import Destinations)	EMG_MKT	13
	Product Segment	PROD_SEG	14
	Price Competitiveness	PRC_COMP	15
	Promotional activities	PROM_ACT	16
	Competitive Priorities	COMP_PRT	17
	Cost Structure	COST	18
	Procurement of raw materials	IMP_RAW_MT	19
	Investment Priorities	INV_PRIO	20
Study 4: External factors of the leather footwear exporting firms			
Construct	Measure	Variable code	Question Number
External	Physical Infrastructure	PHY_IFS	21, 22

Factors	Support Infrastructure	SUP_IFS	23, 24
	Features of Cluster:		25, 26, 27
	a) Horizontal Cluster a.1) sharing of bulk orders a.2) bulk purchase of raw materials a.3) sharing of market leads a.4) sharing of joint established retail shops a.5) collective learning of process innovation a.6) collective learning of product-design innovation a.7) collective investments behind equipment's and machineries	a) HRZN a.1) BLK_ORD a.2) BLK_PRC a.3) MKT_LDS a.4) JNT_SHP a.5) COLL_LRN_PRS-INN a.6) COLL_LRN_PRD-DSGN a.7) COLL_INV	25
	b) Vertical b.1) common raw material supply center b.2) common loan authorizing center b.3) development of sector specific human resource skills b.4) presence of common facilities b.5) presence of Special Economic Zones	b) VRTC b.1) COMM_RAW-MAT_SS b.2) COMM-LOAN b.3) DEV-HRS b.4) COMM_FAC b.5)SEZ	26
	c) Associated institutes	c) ASS_INST	27
	Government's Support	GOVT_SUPP	28, 29, 30

The study on the construct "Global Issues" with respect to international demand and competition from different angles viz. trade agreements, leather as raw material and duty and taxes would be carried out through secondary sources.

3.7 Pilot Study

Pilot testing of the measuring instrument was carried out as it is important to validate the items used in the questionnaire. To carry out the pilot testing, a preliminary questionnaire was developed which was pretested using a convenience and then a simple random sampling technique. Using the convenience sampling method, Agra and Kanpur were selected as the locality to carry out the pretesting. Next, using a simple random sampling method, twenty one exporting leather footwear SME firms were selected from the said clusters.

After collecting data through this pilot study, some measurement items were modified and some were even further developed and this gave way to the final questionnaire being constructed.

3.8 Reliability and Validity

The precision with which anything is measured has a major impact on the sample size selected. This precision is generally expressed in terms of Reliability and Validity of an instrument. Measures of variables should have validity and reliability (Cronbach, 1971 and Nunally, 1978) in order to draw valid inferences from the research.

The validity of a measurement instrument refers to how well it captures what it is designed to measure (Rosental & Rosnow, 1984). The validity of a scale may be defined as the extent to which variances in observed scale scores reveal correct differences on the characteristics being measured, rather than systematic or random error. There are different kinds of validity which are of concern. Some of them are the content validity, the construct validity, the discriminant validity, the convergent validity etc.

In this research, the content validity of the measurement instrument was assessed by asking experts to examine it and provide feedback for revision. The expert panel included professors, leaders / industry practitioners from the

SME sectors and senior leaders from CLE. This was done after the pilot testing phase. Necessary changes were made according to the recommendations given by the expert panel after they reviewed the questionnaire.

Also, the validity of the performance construct was established by the analysis as mentioned in Table 3.11. Other forms of validity were also measured empirically by the correlations between the theoretically defined set of variables.

Confirmatory Factor analysis (CFA) has also been used to test the validity wherever necessary. Confirmatory factor analysis is a statistical method used to confirm the factor structure of a set of observed variables. CFA allows the researcher to test the hypothesis that a relationship between the observed variables and their underlying latent constructs exists.

Strong internal validity means that the instrument in question not only has reliable measures of the dependent and the independent variables, but also a strong justification that causally links the independent variables to your dependent variables. At the same time it is able to rule out the effects of extraneous variables on the dependent variables at large.

Reliability on the other hand, tells us how reproducible your measures are on a retest. This means whether the instrument measuring the variables yields the same or compatible results even when it is used at a different time or place. Measuring reliability through this approach is called the stability approach, where the instrument measures the same objects or units at two different points in time and correlates the scores (Churchill, Iacobucci and Israel, 2009). The process is known as the test-retest reliability assessment. In this research work, this has been tested through using the same measures at two different times on the same sampling units. Twenty-one firms distributed across Agra and Kanpur, where given the same set of questions at two different time frames: once during the pre-testing phase and the other during the final data collection phase (with a gap of 4 months). To confirm the reliability between the data collected at two different time periods, correlation

(for variables having scale measures), rank correlation (for variables having ordinal measures and chi-square test (for variables having nominal measures) have been carried out. For each of the variables the result shows a significant relationship between the data collected at two different time periods.

Reliability also gives us the internal consistency which refers to the ability of a scale item to correlate with other items in the scale that are intended to measure the same construct. When variables developed from summated rating scales are used as predictor components in objective models, a common measure of reliability and internal consistency of a measurement instrument is Cronbach Alpha. Since summated scales are an assembly of interrelated items designed to measure underlying constructs, it is very important to know whether the same set of items would elicit the same responses if the same questions are recast and re-administered to the same respondents.. If a scale used to measure a construct has an alpha value greater than 0.70, the scale is considered to be reliable (Hair, Anderson, Tatham& Black, 1998, Nunnally, 1978, Leedy, 1997).So Cronbach Alpha has been used in this research study to test the reliability of the measures of the constructs which has been developed using a summated rating scale.

3.9 Sampling Method and Sample size:

The very objective of any sampling method is to estimate the parameter (i.e. any statistical property of the population) from the statistic (i.e. any statistical property of the sample). Hence, sampling is an important component of any piece of research because of the significant impact it can have on the results or findings of the study. As a consequence, deciding on the appropriate sampling method and then an optimal sample size is a necessary requisite.

The basic objective of this research work is to study the performance of the exporting leather footwear SME firms in India and also to examine the relationship between performance and other aspects within which the firms

survive. Therefore, the population for the study is the exporting leather footwear SME firms operating across India.

Now, in India the states where these exporting leather footwear SME firms are present are: Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh, Haryana, Punjab and West Bengal; which are clubbed into the southern zone, western zone, northern zone and the eastern zone. The table below shows the quantity of leather footwear exports (in pairs) for the year 2013-14 from each of the four zones:

Table 3.17*: Zone wise quantity of leather footwear exports (in pairs) in India*

Quantity of leather footwear exports (in pairs) 2013-14			
Southern Zone	Western Zone	Northern Zone	Eastern Zone
33,290,376	11,213,671	31,339,211	457,937

Source: CLE

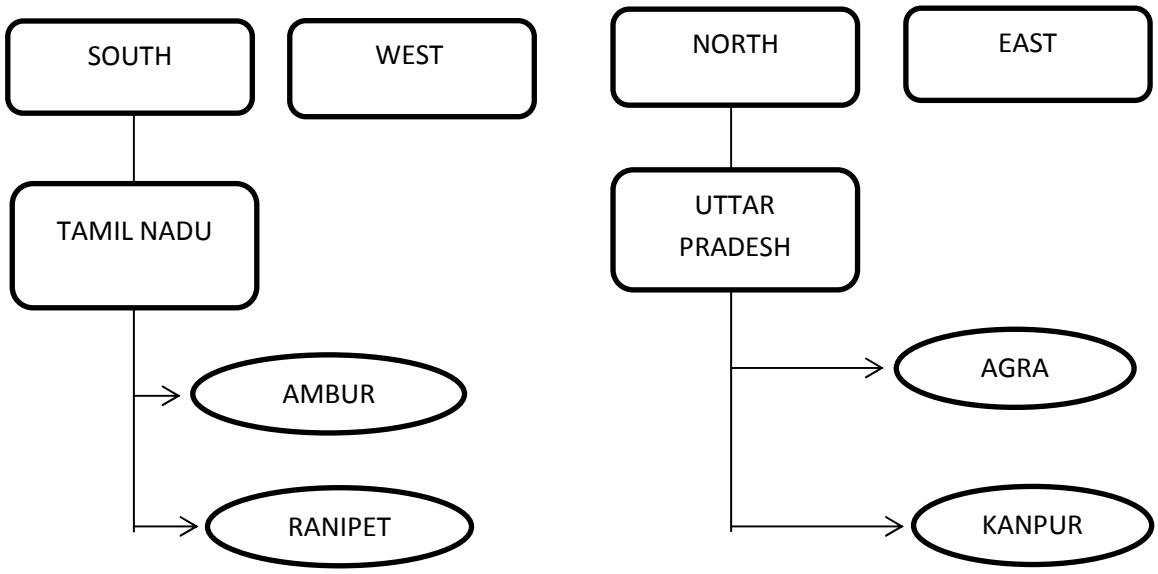
Data from CLE also reveals that not only in terms of volume but also in terms of value, the northern and southern zone are far ahead than the other two counterparts. Also, the major share or contribution of these two zones comes from the states of Uttar Pradesh for north and Tamil Nadu for south.

Again, each of these exporting states has districts and then a number of clusters within it. After studying the clusters, it was found that Agra and Kanpur are the two clusters having the highest contribution (both volume and value) in Uttar Pradesh and on the other hand Ambur and Ranipet are the clusters contributing the most in Tamil Nadu.

So to meet the objective of the research, these four clusters have been chosen as the sample locations for the study. This has been done keeping in mind that these four clusters are the highest contributors in the export of leather footwear across India. So studying the gaps and loop holes present in the exporting firms of these clusters will actually disclose the areas where the handholding is necessary; so as to transform these exporting firms and

enhance their performance level. After this, exporting firms would be selected at random from each one of these four clusters.

Hence, the sampling method which has been adopted by this study is the Quota method followed by a Simple Random Sampling.



There are 314 exporting leather footwear SME firms which are registered with CLE from these four clusters; out of which Agra has 135, Kanpur 113, Ambur 42 and Ranipet 24 exporting firms.

Now, to calculate the optimal sample size we have taken into consideration the confidence level, the margin of error, the response distribution and the population size.

The margin of error expresses the maximum expected difference between the true population parameter and a sample estimate of that parameter. To be meaningful, the margin of error should be qualified by a probability statement, often expressed in the form of a confidence level. A confidence level refers to the percentage of all possible samples that can be expected to include the true population parameter. A margin of error of 5% with a confidence level of 95 % has been taken. Along with these, since the skewness of the

representative samples are not known, the response distribution is taken up to be 50%. This in all gives the optimal sample size to be 174.

Lastly, keeping in mind the total sample size (n=174), the population size (N=314) and the distribution of firms in each cluster, the given formula is used to find the number of sample firms to be taken from each cluster:

(Ni /N)*n, (where Ni = the total number of firms present in a cluster, N= the total population considering all four clusters and n=total sample size)

Using the above formula, the number of firms to be taken as sample from each of the four clusters is:

Ambur: 21

Ranipet: 12

Agra: 75

Kanpur: 66

3.10 Data Collection:

Primary data was collected from 174 firms in total across the four clusters using a structured questionnaire. The sample respondents were either the Managing Director or any higher official of the leather footwear exporting SMEs who gave their responses regarding the performance, demography, internal and external factors of the exporting firms.

Secondary data was used to collect information about the various global issues and its effect on the exporting firms.

3.11 Expected Contribution of the study:

The benefits that will accrue with the research are that it will have an effective approach to spot and identify the various loopholes present in the existing exporting leather footwear SME units of India, with respect to different external and internal parameters which are crucial for sustained performance of the units.

This study will be important for the government in chalking out plans and policies as to where exactly the hand holding is necessary to aid and assist the exporting small scale units of leather footwear so that their contribution to export does not get dampened.

3.12 Limitations of the study:

This study also has certain limitations as given below:

1) The research only takes in consideration a cross-sectional study of one year (2013-14). A longitudinal study would have provided for stronger inferences.

2) The study was only carried out in four selected clusters where the export volume were the largest and so lacks full geographical coverage of the Indian leather footwear SME exporters.

3.13 Summary:

The entire study has been largely divided into four sections, keeping the broad objectives in mind. The first study deals with the performance of the leather footwear exporting SMEs and has captured the performance in terms of absolute and relative values. The second study finds out about the association of certain demographic factors with the performance of the exporting firms. The third and the fourth study try to explore the impact of

different internal and external factors on the performance of the exporting firms respectively. The main instrument used for collecting data for the above mentioned studies was a structured questionnaire which had been verified with respect to its validation and reliability scores. Secondary data had also been collected for the variable Global issues which falls under the construct external factors.

The sampling method used is a mixture of Quota and Simple Random Sampling with a sample size of 174 exporting firms spread across four clusters.

Chapter – 4

FINDINGS AND INTERPRETATIONS

4. FINDINGS AND INTERPRETATIONS

4.1 Chapter Outline

This chapter basically deals with the outcomes and findings which have emerged after carrying out statistical analysis (with SPSS 20th version) on the primary data collected. The first section starts with the depiction of the overall descriptive statistics of the variables considered in the survey. The following sections of the chapter take up one study at a time and tries testing the hypothesis which comes under individual studies. In doing so the sections discusses about the units of measurements of the variables considered, the statistical tools used, the results which appears and finally an interpretation to those findings.

The chapter at the end even discusses about the findings gathered through secondary data for the variable Global Issues and then summarizes the net findings.

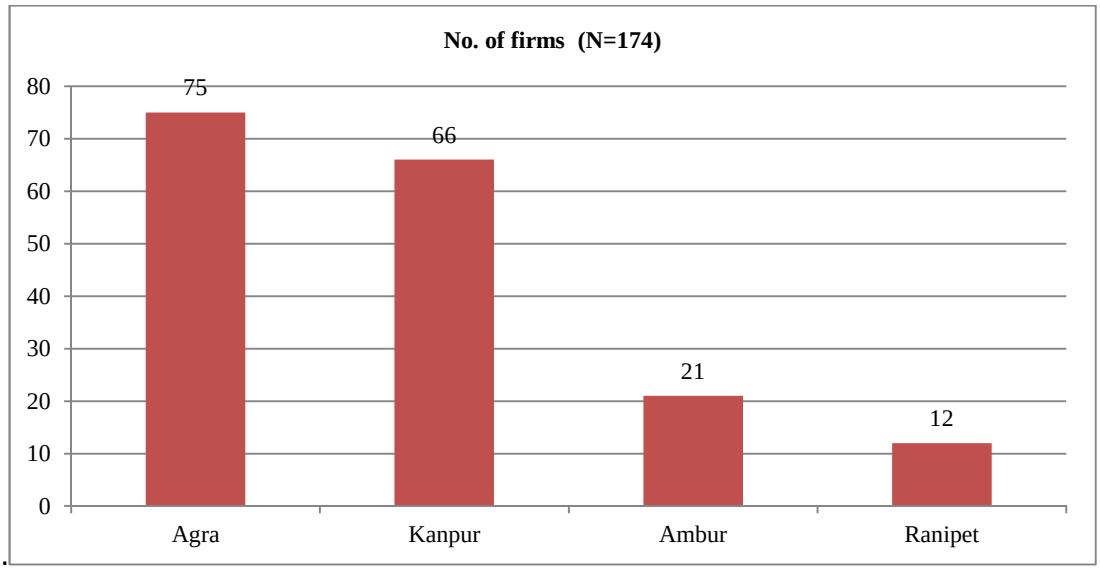
4.2 Descriptive Statistics:

Descriptive statistics is the analysis of data that helps to describe, show or summarize data of the sample collected, in a meaningful way. As discussed earlier, the survey has four broad sections which cater to: the dependent variable of the study, viz. performance which has been studied through six different concepts and the three broad independent variables which are demography, internal factors and external factors. The descriptive statistics for each one of the sections are presented below:

Demography:

a) Centre: The below figure shows the distribution of the centers taken up for the study.

Figure 4.1: ***Number of sample firms from each cluster***



b) Age of the firms and the export strategy: The table below shows different statistical values with respect to age of the firms and the export strategy (in terms of % of direct export):

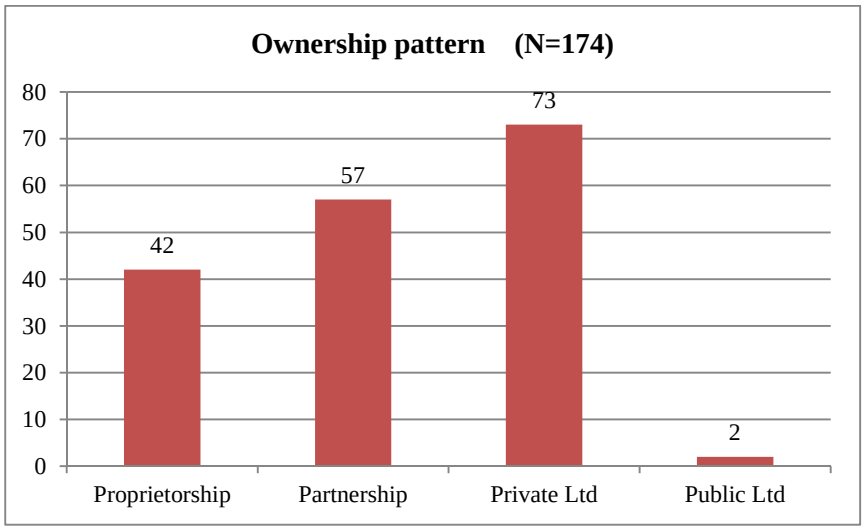
Table 4.1: ***Descriptive statistics of age and export strategy of sample firms***

STAT_TOOL	AGE (in years) N=174	DIR_EXP(%) N=173
MEAN	10.97	94.71
STD. DEV	6.39	15.52
MAX VALUE	30	100
MIN VALUE	2	0

(Table: 4.1)

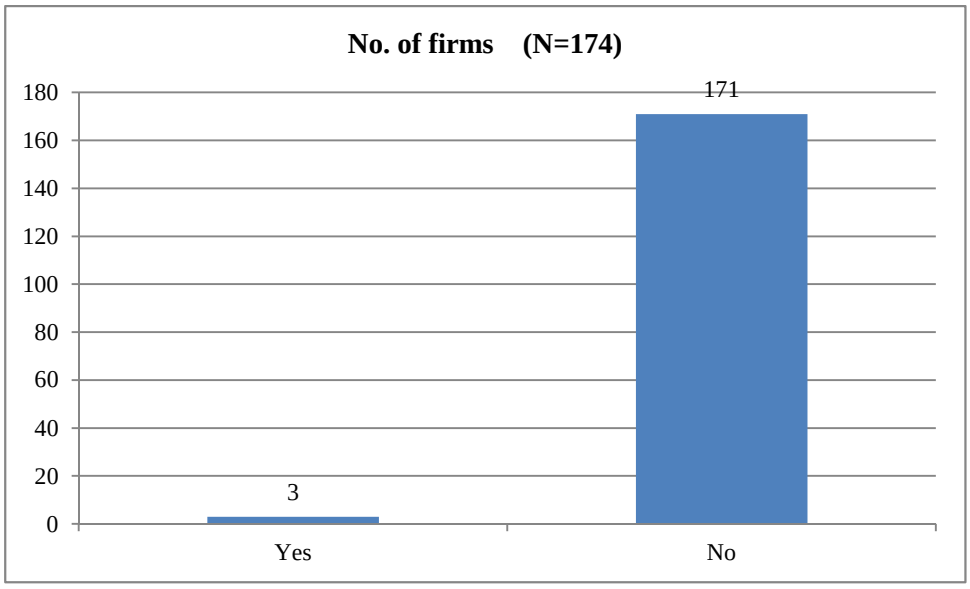
c) Ownership pattern: The below figure shows the distribution of the ownership pattern of the firms taken up for study:

Figure 4.2: ***Distribution of Ownership pattern among sample firms***



d) Production Subsidiary, elsewhere: The below figure shows the number of firms having production subsidy elsewhere in India:

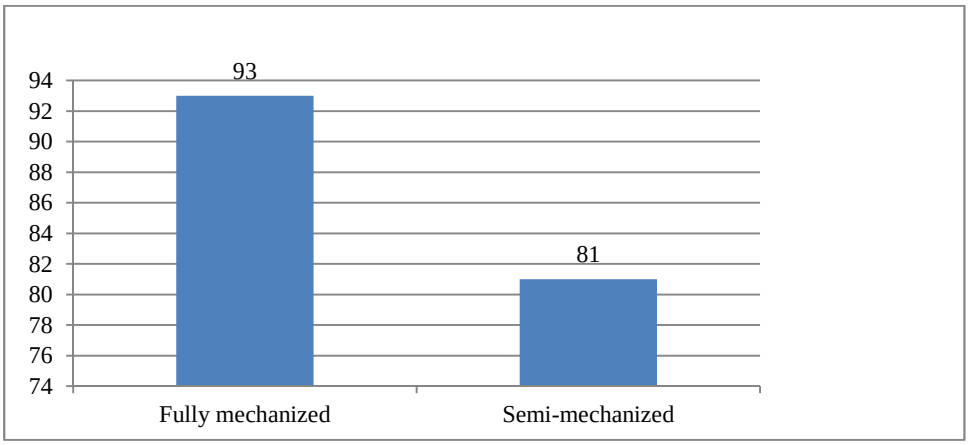
Figure 4.3: ***Presence of production subsidiary among sample firms***



(All 3 were found in Kanpur)

e) Fully mechanized: The below figure shows the number of firms which are fully mechanized and semi-mechanized:

Figure 4.4: ***Presence of fully mechanized units among sample firms***



Performance: The below table shows different statistical values for the objective performance which has been measured using six different constructs:

Table 4.2: ***Descriptive statistics of objective performance of sample firms***

STAT TOOL	SAL_REV (in Rs) (N=173)	PAT (in Rs) (N=168)	EXP_VOL (pairs of shoe) (N=173)	REJ_RATE (no. of containers) (N=174)	DEL_SPD (in days) (N=174)	REP_CUST (%) (N=174)
MEAN	2E+08	2E+07	3E+05	.17	45.18	81.34
S.D	4E+08	5E+07	4E+05	.712	12.347	18.756
MAX VAL	3E+09	4E+08	5E+06	7	120	100
MIN VAL	2E+06	2E+05	15000	0	20	0

Note: *E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Internal Factors:

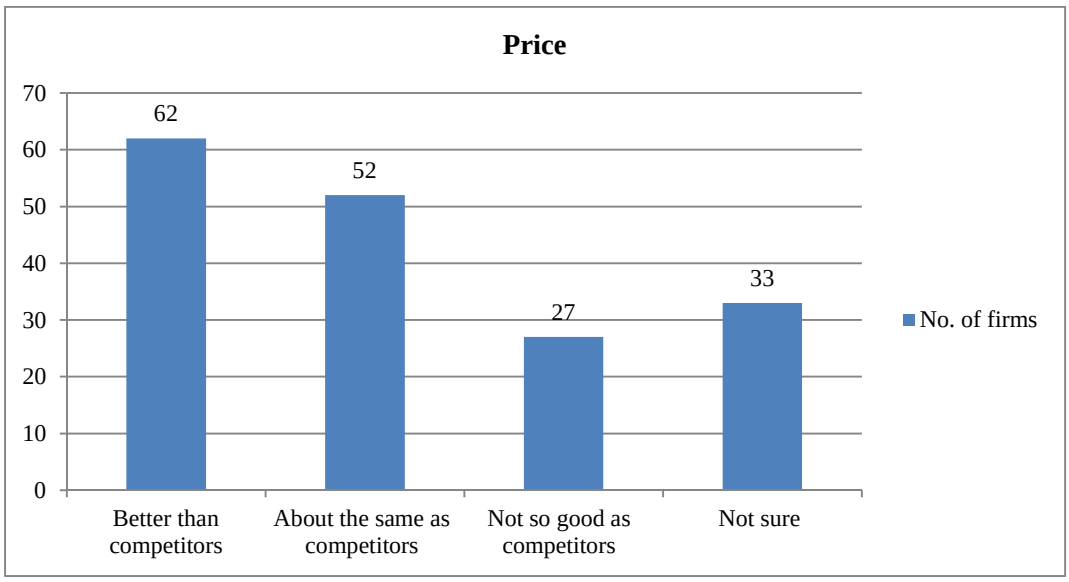
a) Place (Export Destinations): The table below shows the different statistical values of the market reach of the exporting firms with respect to ongoing traditional markets and emerging markets:

Table 4.3: ***Descriptive statistics of the market reach of sample firms***

Stats Tools	TRAD_MKT (%)	EMG_MKT (%)
N	172	172
Mean	72.58	27.42
Std. Deviation	27.435	27.435
Minimum	0	0
Maximum	100	100

b) Price: The figure below shows the distribution of firms regarding their perception on their pricing structure:

Figure 4.5: ***Perception of price competitiveness among sample firms***



c) Product segment: The table below shows the different statistical measures coming out regarding the distribution of production between the ladies segment, men ‘s segment and children’s segment among the exporting firms:

Table 4.4: ***Distribution of product categories among sample firms***

Stats Tools	LADIES_SEG (%)	MEN_SEG (%)	CHLD_SEG (%)
N	174	174	174
Mean	26.59	62.07	11.34
Std. Deviation	30.567	37.656	21.363
Minimum	0	0	0
Maximum	100	100	100

d) Promotional Activities: The table below shows the different forms of promotional activities present and absent across the exporting firms:

Table 4.5: ***Presence or Absence of different promotional activities among sample firms***

Promotional activities	Active participation in Trade fairs	Company Brochure	News releases	Company website	Training for Business Development
Present	68	36	52	132	66
Absent	106	138	122	42	108
Mode	Absent	Absent	Absent	Present	Absent

e) Competitive Priorities: The next table shows different statistical tools emerging out for competitive priorities of the exporting firms with respect to product quality standard, timely delivery and labour productivity:

Table 4.6: ***Descriptive statistics of different competitive priorities among sample firms***

Stats Tools	PROD_QLTY (Rating)	TIMELY_DEL (Rating)	LAB_PROD (Rating)
N	174	174	174
Mean	3.66	4.18	4.02
Std. Deviation	1.17	.533	.909
Minimum	2	1	1
Maximum	5	5	5

f) Cost Structure: The following table shows the percentage distribution of different components of cost for the exporting firms:

Table 4.7: ***Percentage distribution of different cost components among sample firms***

Stats Tools	TRD_ TAX (%)	PWR (%)	IMP_DUT Y_LTHR (%)	IMP_DUTY _COMP (%)	IMP_DUT Y_MCN (%)	RAW_ MAT (%)	LAB_ WG (%)	LOG ST (%)
N	159	159	161	160	160	160	160	159
Mean	11.86	14.11	7.87	6.08	9.11	21.38	21.30	10.04
S.D	5.64	10.38	5.11	4.15	6.13	10.53	10.37	7.35
Min	2	3	0	0	0	2	2	5
Max	35	40	30	20	30	40	40	36

g) Procurements of raw materials: The table below shows the percentage of import of raw materials by the exporting firms:

Table 4.8: ***Percentage of import of raw materials by sample firms***

Stats tool	RAW_LTHR_IMP (%)	MCHN_IMP (%)	COMP_IMP (%)
N	174	174	174
Mean	10.74	51.31	30.11
Std. Deviation	15.602	42.921	32.078
Minimum	0	0	0
Maximum	90	100	100

h) Investment Priorities: The next table shows the descriptive statistics of the investment priorities among different components for the exporting firms:

Table 4.9: ***Rankings of the investment priorities among sample firms***

Stats Tools	R&D (Rank)	IT (Rank)	TRN_ EMP (Rank)	WLF_ EMP (Rank)	MKT_ RSC (Rank)	PROM (Rank)	AUT_ PROS (Rank)	QLT_ CNT (Rank)	PRD_ DSGN (Rank)
N	174	174	174	174	174	174	174	174	174
Mode	4	6	5	5	7	6	1	2	3

External Factors:

a) Physical Infrastructure: The following two tables show the ranking of the criticality of the different physical infrastructure required for exporting and the one in which the firms face the most problems in:

Table 4.10: ***Rankings of the criticality of the physical infrastructure***

Stats Tools	PWR_CRT (Rank)	WAT_SSP_CRT (Rank)	LOGS_TRNS_CRT (Rank)	WST_MGMT_CRT (Rank)
N	174	174	174	174
Mode	1	3	1	4

Table 4.11: ***Rankings of the physical infrastructure in terms of problems faced***

Stats Tools	PWR_PRB (Rank)	WAT_SSP_PRB (Rank)	LOGS_TRNS_PRB (Rank)	WST_MGMT_PRB (Rank)
N	174	174	174	174
Mode	1	3	2	4

b) Support Infrastructure: The following two tables show the ranking of the criticality of the different support infrastructure required for exporting and the one in which the firms face the most problems in:

Table 4.12: ***Rankings of the criticality of the support infrastructure***

Stats Tools	MTRS_ CRT (Rank)	TANN_ CRT (Rank)	DSGN_ STD_ CRT (Rank)	EFL_PLN _CRT (Rank)	BYR_SHR _CRT (Rank)	TST_LAB _CRT (Rank)	SKD_MNP _CRT (Rank)
N	174	174	174	174	174	174	174
Mode	1	3	4	5	6	7	1

Table 4.13: ***Rankings of the support infrastructure in terms of problems faced***

Stats Tools	MTRS_ PRB (Rank)	TANN_ PRB (Rank)	DSGN_ STD_PRB (Rank)	EFL_PLN _PRB (Rank)	BYR_SHR _PRB (Rank)	TST_LAB _PRB (Rank)	SKD_MNP _PRB (Rank)
N	174	174	174	174	174	174	174
Mode	1	3	4	5	6	7	1

c) Horizontal Cluster: The table down below now shows the average rating and the S.D of different components of horizontal cluster:

Table 4.14: *Descriptive statistics of different concepts of Horizontal Clustering*

Stats Tools	BLK_ ORD (Rating)	BLK_ PRC (Rating)	MKT_ LDS (Rating)	COLL_ LRN_ PRS-INV (Rating)	COLL_ LRN_PRD-DSGN (Rating)	RVL_ FNDS (Rating)	JNT_SHP (Rating)	COLL_ INV (Rating)
N	174	174	174	174	174	174	174	174
Mean	2.85	2.48	2.50	2.50	2.53	2.62	2.46	2.64
S.D	.983	.927	.976	.952	.964	.950	.939	.936

d) Vertical Cluster: The table down below now shows the average rating and the S.D of different components of vertical cluster:

Table 4.15: *Descriptive statistics of different concepts of Vertical Clustering*

Stats Tools	COMM_RAW _MAT_SS (Rating)	COMM_ LOAN (Rating)	DEV_HRS (Rating)	COMM_FAC (Rating)	SEZ (Rating)
N	174	174	174	174	174
Mean	2.46	2.26	2.34	2.24	2.46
S.D	1.04	.82	.94	.90	.90

e) Cluster Institutes: The next table shows the average ratings given to the different institutes which provide support to the SME exporting firms:

Table 4.16: *Descriptive statistics of different support institutes for the clusters*

Stats Tools	CLE (Rating)	FDDI (Ratings)	CFTI (Ratings)	DIC (Ratings	CLRI (Ratings)	AISHTMA (Rating)
N	174	174	174	174	174	174
Mean	3.33	2.94	2.74	2.15	2.29	2.06
S.D	1.03	1.24	1.42	1.49	1.36	1.35

4.3 Findings with respect to Study 1:

Study 1 of the research dealt with the performance of the exporting leather footwear SME firms.

Performance of the firms were measured through six different ways, viz. sales revenue, profit after tax, export volume, rejection rate, delivery speed and repeat customers. For each of the performance measures, an objective (absolute) and a subjective (relative/rating) data was collected and it was supposed to have a positive correlation. The hypothesis which followed was:

$H_0$1: There is no significant relationship between Subjective performance and the Objective performance of the firms.

The table below shows the units of measurement of the performance measures (objective and subjective) as per the survey constructed:

Table 4.17: ***Units of measurement of the objective & subjective performance***

SAL_REV		PAT		EXP_VOL		REJ_RATE		DEL_SPD		REP_CUST	
OBJ	SUB	OBJ	SUB	OBJ	SUB	OBJ	SUB	OBJ	SUB	OBJ	SUB
Ratio	Interval	Ratio	Interval	Ratio	Interval	Ratio	Interval	Ratio	Interval	Ratio	Interval

Since both subjective and objective performance has been measured quantitatively, correlation has been used to test the above hypothesis.

Table 4.18: ***Correlation between Objective & Subjective sales revenue***

Correlation (N=173)	**SAL_REV Objective**	**SAL_REV Subjective**
SAL_REV Objective	1	r = .767*** sig (2 tailed) = .000
SAL_REV Subjective	r = .767*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.19: *Correlation between Objective & Subjective PAT*

Correlation (N=168)	**PAT Objective**	**PAT Subjective**
PAT Objective	1	r = .663*** sig (2 tailed) = .000
PAT Subjective	r = .663*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.20: *Correlation between Objective & Subjective export volume*

Correlation (N=173)	**EXP_VOL Objective**	**EXP_VOL Subjective**
EXP_VOL Objective	1	r = .515*** sig (2 tailed) = .000
EXP_VOL Subjective	r = .515*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.21: *Correlation between Objective & Subjective rejection rate*

Correlation (N=174)	**REJ_RATE Objective**	**REJ_RATE Subjective**
REJ_RATE Objective	1	r = .954*** sig (2 tailed) = .000
REJ_RATE Subjective	r = .954*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.22: *Correlation between Objective & Subjective delivery speed*

Correlation (N=174)	DEL_SPD Objective	DEL_SPD Subjective
DEL_SPD Objective	1	r = .916*** sig (2 tailed) = .000
DEL_SPD Subjective	r = .916*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.23: ***Correlation between Objective & Subjective percentage of repeat customer***

Correlation (N=174)	**REP_CUST Objective**	**REP_CUST Subjective**
REP_CUST Objective	1	r = .922*** sig (2 tailed) = .000
REP_CUST Subjective	r = .922*** sig (2 tailed) = .000	1

*Note: *p<.05, **p<.01, ***p<0.001*

So from Table 4.18 to Table 4.23, we find that the objective performance for each type of measure is positively and significantly correlated with its respective subjective performance as the significance level for each of the cases is equal to .000. Also the Pearson correlation coefficient (r) value is >.5 for each of the measures of performance.

Hence, there is a significant positive relationship between Subjective performance and the Objective performance of the firms.

And therefore we reject the null hypothesis ($H_0$1) and accept the alternative hypothesis in this case.

This hypothesis along with the consequent analysis also served in attesting the construct and convergent validity of the measures of performance in the instrument used.

Alongside this, a confirmatory factor analysis was run to test the content validity of the performance measure and to ensure whether latent constructs emanates from the measures used.

The given tables show the results which emerged after running a factor analysis on the objective measures of performance.

Table 4.24: ***KMO & Bartlett's test for Objective performance***

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.575
Bartlett's Test of Sphericity	Approx. Chi-Square	334.717
	Df	15
	Sig.	.000

Table 4.25: *Rotated Component Matrix for Objective performance*

Rotated Component Matrix[a]

	Component		
	1	2	3
SAL_RVN_OBJ	.222	.889	.127
PAT_OBJ	.009	.922	.132
EXP_VOL_OBJ	.930	.125	.060
REJ_RATE_OBJ	.935	.076	.075
DEL_SPD_OBJ	-.033	.308	.724
REP_CUST_OBJ	.152	-.016	.853

Rotation Method: Varimax with Kaiser Normalization

Missing pairwise

So from the above table three factors which are derived are:

Table 4.25a: *Economic Performance (Factor 1)*

Factor (Component 1)	SAL_REV_OBJ	PAT_OBT
Economic Performance	.889	.922

Table 4.25b: *Export Net Rate (Factor 2)*

Factor (Component 2)	EXP_VOL_OBJ	REJ_RATE_OBJ
Export Net Rate	.930	.935

Table 4.25c: *Market Image (Factor 3)*

Factor (Component 3)	DEL_SPD_OBJ	REP_CUST_OBJ
Market Image	.724	.853

Hence from the above analysis the objective performance can be broadly classified into three constructs, viz. Economic performance, Export Potential and Market Image.

The given tables show the results which emerged after running a factor analysis on the subjective measures of performance.

Table 4.26: *KMO & Bartlett's test for Subjective performance*

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.665
Bartlett's Test of Sphericity	Approx. Chi-Square	310.171
	Df	15
	Sig.	.000

Table 4.27: *Rotated Component Matrix for Subjective performance*

Rotated Component Matrix[a]

	Component	
	1	2
SLS_RVN_SUB	.843	.304
PAT_SUB	.780	.365
EXP_VOL_SUB	.787	-.105
REJ_RATE_SUB	.469	.075
DEL_RATE_SUB	.024	.874
REP_CUST_SUB	.206	.689

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. Missing pairwise

So from the above table two factors which are derived are:

Table 4.27a: *Export Potential (Factor 1)*

Factor (Component 1)	SAL_REV_SUB	PAT_SUB	EXP_VOL_SUB	REJ_RATE_SUB
Export Potential	.843	.922	.787	.469

Table 4.27b: *Market Image (Factor 2)*

Factor (Component 2)	DEL_SPD_SUB	REP_CUST_SUB
Market Image	.874	.689

Hence from the above analysis the subjective performance can be broadly classified into two constructs, viz. Export Potential and Market Image.

4.4 Findings with respect to Study 2:

Study 2 of the research explored the relationship of demography of the exporting leather footwear SME firms with their performance. The demography of the firms was measured through: type of ownership, age, export strategy, having production subsidiary elsewhere in India and mechanization status of the firm. As a consequence there are a number of different hypotheses to be tested. They are listed and tested one by one.

$H_0$2.1: There is no significant difference in the mean objective performance of the exporting SME firms across ownership patterns

($H_0$2.1: μ obj perf $_{proprietorship}$ = μ obj perf $_{partnership}$ = μ obj perf $_{private\ ltd.}$ = μ obj perf $_{public\ ltd}$)

The table below shows the units of measurement of the objective performance and the ownership of the firms as per the survey constructed:

Table 4.28: ***Units of measurement of the objective performance & ownership***

OWSHP	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Nominal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the ownership of the firms is one of the independent variables and objective performance being the dependent variable.

A one-way ANOVA has been carried out with the ownership of the firm and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.29: *ANOVA between sales revenue (objective) & ownership*

SAL_REV_OBJ & OWSHP

ANOVA	Sum of Squares	df.	Mean Square	F	Sig.
Between Groups	5E+17	3	1.7E+17	1.319	.270
Within Groups	2.1E+19	169	1.3E+17		
Total	2.2E+19	172			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.30: *ANOVA between PAT (objective) & ownership*

PAT_OBJ & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.4E+15	3	2.1E+15	.864	.461
Within Groups	4E+17	164	2.5E+15		
Total	4.1E+17	167			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.31: *ANOVA between Export Volume (objective) & ownership*

EXP_VOL_OBJ & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8E+09	3	3E+09	.016	.997
Within Groups	3E+13	169	2E+11		
Total	3E+13	172			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.32: ***ANOVA between Rejection rate (objective) & ownership***

REJ_RATE_OBJ & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.539	3	.180	.350	.789
Within Groups	87.656	171	.513		
Total	88.194	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.33: ***ANOVA between Delivery Speed (objective) & ownership***

DEL_SPD_OBJ & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	277.54	3	92.51	.603	.614
Within Groups	26250.60	171	153.51		
Total	26528.14	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.34: ***ANOVA between Repeat customer (objective) & ownership***

REP_CUST_OBJ & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3303.28	3	1101.09	3.25	.023*
Within Groups	57906.14	171	338.63		
Total	61209.42	174			

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.29 to 4.34, it clearly comes out that:

Type of ownership of the exporting firms has no significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for each of the cases the significance value is >.05.

However, type of ownership of the exporting firms has significant relationship with the objective performance with respect to repeat customers as the significance value for it is .023.

$H_0$3.1: There is no significant difference in the mean subjective performance of the exporting SME firms across ownership patterns

($H_0$3.1: μ sbj perf $_{proprietorship}$ = μ sbj perf $_{partnership}$ = μ sbj perf $_{private\ ltd.}$ = μ sbj perf $_{public\ ltd}$)

The table below shows the units of measurement of the subjective performance and the ownership of the firms as per the survey constructed:

Table 4.35: ***Units of measurement of the subjective performance & ownership***

OWSHP	SAL_REV_ SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST_ SUB
Nominal	Interval	Interval	Interval	Interval	Interval	Interval

Here the ownership of the firms is one of the independent variables and subjective performance being the dependent variable.

A one-way ANOVA has been carried out with the ownership of the firm and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.36: ***ANOVA between sales revenue (subjective) & ownership***

SAL_REV_SUB & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.63	3	2.21	1.40	.244
Within Groups	269.55	171	1.57		
Total	276.19	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.37: ***ANOVA between PAT (subjective) & ownership***

PAT_SUB & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8.72	3	2.91	1.45	.229
Within Groups	342.15	171	2.00		
Total	350.88	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.38: ***ANOVA between Export Volume (subjective) & ownership***

EXP_VOL_SUB & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.51	3	.83	.354	.786
Within Groups	404.34	171	2.36		
Total	406.85	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.39: ***ANOVA between Rejection rate (subjective) & ownership***

REJ_RATE_SUB & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.778	3	.259	.604	.613
Within Groups	73.41	171	.429		
Total	74.19	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.40: ***ANOVA between Delivery speed (subjective) & ownership***

DEL_SPD_SUB & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.95	3	.98	.850	.468
Within Groups	198.46	171	1.16		
Total	201.42	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.41: ***ANOVA between Repeat customers (subjective) & ownership***

REP_CUST & OWSHP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8.70	3	2.90	2.47	.042*
Within Groups	200.72	171	1.17		
Total	209.42	174			

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.36 to 4.41, it clearly comes out that:

Type of ownership of the exporting firms has no significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for each of the cases the significance value is >.05.

However, type of ownership of the exporting firms has significant relationship with the subjective performance with respect to repeat customers as the significance value for it is .042.

$H_0$2.2: Age of the firm has no significant relation with its objective performance

The table below shows the units of measurement of the objective performance and the age of the firms as per the survey constructed:

Table 4.42: ***Units of measurement of the objective performance & age of the firm***

AGE	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the age of the firms is one of the independent variables and objective performance being the dependent variable.

Correlation has been carried out with the age of the firms and each one of the objective performance measures. The following table shows the analysis:

Table 4.43: *Correlation between the objective performance & age of the firm*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
AGE	r = .169* sig = .026 N=173	r = .080 sig = .305 N= 168	r = .188* sig = .013 N=173	r = -.197** sig = .009 N=174	r = -.060 sig = .429 N=174	r = -.107 sig = .160 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Age of the exporting firms has no significant relationship with the objective performance with respect to profit after tax, delivery speed and repeat customers as the significance values against them comes up to be >.05.

Age of the exporting firms has significant relationship with the objective performance with respect to sales revenue, export volume and rejection rate as the significance value against each one of them is <.05.

$H_0$3.2: Age of the firm has no significant relation with its subjective performance

The table below shows the units of measurement of the subjective performance and the age of the firms as per the survey constructed:

Table 4.44: *Units of measurement of the subjective performance & age of the firm*

AGE	SAL_REV _SUB	PAT_ SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

Here the age of the firms is one of the independent variables and subjective performance being the dependent variable.

Correlation has been carried out with the age of the firms and each one of the subjective performance measures. The following table shows the analysis:

Table 4.45: ***Correlation between the subjective performance & age of the firm***

CORR	SAL_REV _SUB	PAT_ SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
AGE	r = .231** sig = .002 N=174	r = .145 sig = .066 N= 174	r = .130* sig = .035 N=174	r = -.187* sig = .013 N=174	r = -.036 sig = .634 N=174	r = -.065 sig = .396 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Age of the exporting firms has no significant relationship with the subjective performance with respect to profit after tax, delivery speed and repeat customers as the significance level for them is >.05.

Age of the exporting firms has significant relationship with the subjective performance of the firms with respect to sales revenue, export volume and rejection rate as for all the significance level is <.05.

$H_0$2.3: There is no significant difference in the mean objective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

($H_0$2.3: μ obj perf $_{\text{prod subsidiary present}}$ = μ obj perf $_{\text{prod subsidiary absent}}$)

The table below shows the units of measurement of the objective performance and the production subsidy of the firms as per the survey constructed:

Table 4.46: ***Units of measurement of the objective performance & production subsidiary***

SBSD	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Nominal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the production subsidy of the firms is one of the independent variables and objective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with the construct production subsidiary of the firm and each one of the

objective performance measures one by one. The following tables show the analysis:

Table 4.47: ***Independent samples T test between sales revenue (objective) & production subsidiary***

Differences between Mean (N = 173)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
SAL_REV_OBJ				.667	.507
SBSD_NO (171)	2E+08	3.6E+08	2.7E+07		
SBSD_YES (3)	6.3E+07	5.5E+07	3.2E+07		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.48: ***Independent samples T test between PAT (objective) & production subsidiary***

Differences between Mean (N = 168)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
PAT_OBJ				.708	.480
SBSD_NO (165)	2.4E+07	5E+07	4E+06		
SBSD_YES (3)	4E+06	1E+06	8E+05		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.49: ***Independent samples T test between Export volume (objective) & production subsidiary***

Differences between Mean (N = 173)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
EXP_VOL_OBJ				.400	.690
SBSD_NO (170)	3E+05	4E+05	31124.87		
SBSD_YES (3)	2E+05	34059.99	19664.54		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.50: ***Independent samples T test between rejection rate (objective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REJ_RATE_OBJ				.406	.685
SBSD_NO (171)	.17	.718	.055		
SBSD_YES (3)	0.00	0.00	0.00		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.51: ***Independent samples T test between delivery speed (objective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
DEL_SPD_OBJ				1.97	.040
SBSD_NO (171)	45.42	12.31	.939		
SBSD_YES (3)	31.33	1.15	.667		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.52: ***Independent samples T test between repeat customer (objective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REP_CUST_OBJ				2.32	.021
SBSD_NO (171)	81.77	18.62	1.42		
SBSD_YES (3)	56.67	5.77	3.33		

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.47 to 4.52, it clearly comes out that:

Having production subsidiary for the exporting firms has no significant relationship with the objective performance with respect to sales revenue,

profit after tax, export volume, and rejection rate as for each of them the significance value is greater than >.05.

However, having production subsidy has significant relationship with the objective performance with respect to delivery speed and repeat customers as the significance value for them comes up to be .040 and .021 respectively.

$H_0$3.3: There is no significant difference in the mean subjective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

($H_0$3.3: μ sbj perf $_{\text{prod subsidiary present}}$ = μ sbj perf $_{\text{prod subsidiary absent}}$)

The table below shows the units of measurement of the subjective performance and the production subsidiary of the firms as per the survey constructed:

Table 4.53: ***Units of measurement of the subjective performance & production subsidiary***

SBSD	SAL_REV _SUB	PAT_ SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Nominal	Interval	Interval	Interval	Interval	Interval	Interval

Here the production subsidiary of the firms is one of the independent variables and objective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with the construct production subsidiary of the firm and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.54: ***Independent samples T test between sales revenue (subjective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
SAL_REV_SUB				1.15	.248
SBSD_NO (171)	2.85	1.26	.096		
SBSD_YES (3)	2.00	1.00	.577		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.55: ***Independent samples T test between PAT (subjective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
PAT_SUB				1.74	.082
SBSD_NO (171)	3.10	1.41	.108		
SBSD_YES (3)	1.67	.577	.333		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.56: ***Independent samples T test between export volume (subjective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
EXP_VOL_SUB				.423	.673
SBSD_NO (171)	3.38	1.54	.118		
SBSD_YES (3)	3.00	.000	.000		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.57: ***Independent samples T test between rejection rate (subjective) & production subsidiary***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REJ_RATE_SUB				.442	.659
SBSD_NO (171)	1.17	.658	.050		
SBSD_YES (3)	1.00	.000	.000		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.58: *Independent samples T test between delivery speed (subjective) & production subsidiary*

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
DEL_SPD_SUB				2.20	.029
SBSD_NO (171)	2.37	1.07	.082		
SBSD_YES (3)	1.00	.000	.000		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.59: *Independent samples T test between repeat customer (subjective) & production subsidiary*

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REP_CUST_SUB				2.12	.035
SBSD_NO (171)	4.68	1.09	.083		
SBSD_YES (3)	3.33	.577	.333		

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.54 to 4.59, it clearly comes out that:

Having production subsidiary for the exporting firms has no significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume, and rejection rate as the significance level against them comes up to be >.05.

However, having production subsidiary has significant relationship with the subjective performance with respect to delivery speed and repeat customers as the significance level against them is .029 and .035 respectively.

$H_0$2.4: There is no significant difference in the mean objective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

($H_0$2.4: μ obj perf $_{\text{fully mechanized firms}}$ = μ obj perf $_{\text{semi mechanized firms}}$)

The table below shows the units of measurement of the objective performance and the mechanization status of the firms as per the survey constructed:

Table 4.60: ***Units of measurement of objective performance & mechanization status***

MCHNZN	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Nominal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the mechanization status of the firms is one of the independent variables and objective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with the construct mechanization status of the firm and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.61: ***Independent samples T test between sales revenue (objective) & mechanization status***

Differences between Mean (N = 173)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
SAL_REV_OBJ				-.488	.626
FULLY_MCHNZD (94)	1.9E+08	3E+08	3E+07		
PRTL_MCHNZD (79)	2.1E+08	4E+08	4E+07		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.62: ***Independent samples T test between PAT (objective) & mechanization status***

Differences between Mean (N = 168)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
PAT_OBJ				.617	.538
FULLY_MCHNZD (92)	3E+07	6E+07	6E+06		
PRTL_MCHNZD (76)	2E+07	4E+07	4E+06		

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.63: ***Independent samples T test between export volume (objective) & mechanization status***

Differences between Mean (N = 173)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
EXP_VOL_OBJ				.375	.708
FULLY_MCHNZD (94)	307698.93	194872.89	20099.60		
PRTL_MCHNZD (79)	284611.39	558226.93	62805.43		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.64: ***Independent samples T test between rejection rate (objective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REJ_RATE_OBJ				-1.62	.107
FULLY_MCHNZD (93)	.09	.406	.042		
PRTL_MCHNZD (81)	.26	.946	.105		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.65: ***Independent samples T test between delivery speed (objective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
DEL_SPD_OBJ				-3.78	.000
FULLY_MCHNZD (93)	42.02	8.52	.879		
PRTL_MCHNZD (81)	48.85	14.89	1.65		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.66: ***Independent samples T test between repeat customer (objective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REP_CUST_OBJ				-4.24	.000
FULLY_MCHNZD (93)	76.01	15.61	1.61		
PRTL_MCHNZD (81)	87.53	20.23	2.24		

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.61 to 4.66, it clearly comes out that:

Production units being fully mechanized for the exporting firms have no significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume, and rejection rate as the significance values against each of them is >.05.

However, being fully mechanized has significant relationship with the objective performance with respect to delivery speed and repeat customers as the significance level for both of them turns out to be .000.

$H_0$3.4: There is no significant difference in the mean subjective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

($H_0$3.4: μ sbj perf $_{\text{fully mechanized}}$ = μ sbj perf $_{\text{semi mechanized}}$)

The table below shows the units of measurement of the subjective performance and the mechanization status of the firms as per the survey constructed:

Table 4.67: ***Units of measurement of subjective performance & mechanization status***

MCHNZN	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Nominal	Interval	Interval	Interval	Interval	Interval	Interval

Here the production subsidy of the firms is one of the independent variables and objective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with the construct mechanization status of the firm and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.68: ***Independent samples T test between sales revenue (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
SAL_REV_SUB				-1.71	.865
FULLY_MCHNZD (93)	2.82	1.11	.115		
PRTL_MCHNZD (81)	2.85	1.41	.157		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.69: ***Independent samples T test between PAT (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
PAT_SUB				.158	.875
FULLY_MCHNZD (93)	3.10	1.28	.133		
PRTL_MCHNZD (81)	3.06	1.56	.174		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.70: ***Independent samples T test between export volume (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
EXP_VOL_SUB				2.94	.004
FULLY_MCHNZD (94)	3.68	1.46	.151		
PRTL_MCHNZD (81)	3.01	1.52	.170		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.71: ***Independent samples T test between rejection rate (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REJ_RATE_SUB				-2.00	.046
FULLY_MCHNZD (93)	1.07	.336	.035		
PRTL_MCHNZD (81)	1.27	.881	.098		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.72: ***Independent samples T test between delivery speed (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
DEL_SPD_SUB				-3.68	.000
FULLY_MCHNZD (93)	2.07	.895	.092		
PRTL_MCHNZD (81)	2.65	1.18	.132		

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.73: ***Independent samples T test between repeat customer (subjective) & mechanization status***

Differences between Mean (N = 174)	Mean	S.D	Standard Error of mean	t value	Sig (2tailed)
REP_CUST_SUB				-3.38	.001
FULLY_MCHNZD (93)	4.40	.987	.102		
PRTL_MCHNZD (81)	4.95	1.15	.128		

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.68 to 4.73, it clearly comes out that:

Production units being fully mechanized for the exporting firms have no significant relationship with the subjective performance with respect to sales revenue and profit after tax as the significance level for each of them comes out to be .865 and .875 respectively.

However, being fully mechanized has significant relationship with the subjective performance with respect to export volume, rejection rate, delivery speed and repeat customers as for all of them the significance level comes out to be <.05.

$H_0$2.5: There is no significant relationship between the export strategy and the objective performance of the firms.

The table below shows the units of measurement of the objective performance and the export strategy of the firms as per the survey constructed:

Table 4.74: ***Units of measurement of objective performance & export strategy***

EXP_ STRG	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the export strategy of the firms is one of the independent variables and objective performance being the dependent variable.

Correlation has been carried out with the export strategy of the firms and each one of the objective performance measures. The following table shows the analysis:

Table 4.75: ***Correlation between objective performance & export strategy***

CORR	SAL_REV_ OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
EXP_ST RG	r = - .021 sig = .786 N=172	r = -.145 sig = .061 N= 167	r = .005 sig = .943 N=172	r = .002 sig = .982 N=174	r = -.050 sig = .515 N=174	r = -.037 sig = .626 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Export strategies of the firms have no significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume, rejection rate, delivery speed and repeat customers as the significance level for every measure of objective performance comes up to be >.05.

Hence the hypothesis (H_0.2.5) has been accepted.

$H_0$3.5: There is no significant relationship between the export strategy and the subjective performance of the firms.

The table below shows the units of measurement of the subjective performance and the export strategy of the firms as per the survey constructed:

Table 4.76: *Units of measurement of subjective performance & export strategy*

EXP_ STRG	SAL_REV _SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST _SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

Here the export strategy of the firms is one of the independent variables and subjective performance being the dependent variable.

Correlation has been carried out with the age of the firms and each one of the subjective performance measures. The following table shows the analysis:

Table 4.77: *Correlation between subjective performance & export strategy*

CORR	SAL_REV_ SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST_ SUB
AGE	r = -.014 sig = .853 N=174	r = -.062 sig = .417 N= 174	r = -.061 sig = .423 N=173	r = .002 sig = .982 N=174	r = -.050 sig = .515 N=174	r = -.007 sig = .925 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Exporting strategy of firms has no significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume, rejection rate, delivery speed and repeat customers as the significance level for every measure of subjective performance comes up to be >.05.

Hence, the hypothesis (H_0.3.5) is accepted.

4.5 Findings with respect to Study 3:

Study 3 of the research dealt with the internal factors affecting the performance of the exporting leather footwear SME firms. Internal factors of the firms were measured through: Place, Product segment, Price competitiveness, Promotional Activities, Competitive Priorities, Cost structure, Procurement of raw materials and Investment priorities. Accordingly there are a number of different hypotheses to be tested. They are listed and tested one by one.

$H_0$4.1: Spreading out to emerging markets has no significant relation with the objective performance of the firms.

The table below shows the units of measurement of the objective performance and place (export destinations) of the SME firms as per the survey constructed:

Table 4.78: ***Units of measurement of objective performance & exports to emerging markets***

EMG_MKT	SAL_REV_ OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here place (export destination) has been measured through the percentage of export to the emerging markets by the leather footwear firms and is one of the independent variables. The objective performance on the other hand is the dependent variable.

Correlation has been carried out with the % of exports to the emerging markets and each one of the objective performance measures. The following table shows the analysis:

Table 4.79: ***Correlation between objective performance & exports to emerging markets***

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
EMG_ MKT	r = -.164* sig = .032 N=173	r = -.135 sig = .081 N= 168	r =-.060 sig = .431 N=173	r = -.090 sig = .237 N=174	r = -.076 sig = .316 N=174	r = -.030 sig = .694 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Spreading out to emerging markets by the exporting firms has no significant relationship with the objective performance with respect to profit after tax, export volume, rejection rate, delivery speed and repeat customers as the significance value for all the items are >.05.

However, spreading out to emerging markets by the exporting firms has a significant negative relationship with the objective performance with respect to

sales revenue as the corresponding significance value is .032 and the correlation co-efficient is r = -.164.

$H_0$5.1: Spreading out to emerging markets has no significant relation on the subjective performance of the firms.

The table below shows the units of measurement of the subjective performance and place (export destinations) of the SME firms as per the survey constructed:

Table 4.80: ***Units of measurement of subjective performance & exports to emerging markets***

EMG_MKT	SAL_REV _SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

Here place (export destination) has been measured through the percentage of export to the emerging markets by the leather footwear firms and is one of the independent variables. The subjective performance on the other hand is the dependent variable.

Correlation has been carried out with the % of exports to the emerging markets and each one of the subjective performance measures. The following table shows the analysis:

Table 4.81: ***Correlation between subjective performance & exports to emerging markets***

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUBOBJ	DEL_SPD_ SUB	REP_CUST _SUB
EMG_ MKT	r = -.148* sig = .042 N=174	r = -.136 sig = .075 N= 174	r = -.153* sig = .043 N=174	r = .225 sig = .083 N=174	r = -.165* sig = .029 N=174	r = .004 sig = .960 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Spreading out to emerging markets by the exporting firms has no significant relationship with the subjective performance with respect to profit after tax,

rejection rate, and repeat customers as the significance values for each item is >.05.

Spreading out to emerging markets by the exporting firms has significant relationship with the subjective performance with respect to sales revenue, export volume and delivery speed as the significance level against each item is <.05.

$H_0$4.2: The product category or segment has no significant relation in the objective performance of a firm.

The table below shows the units of measurement of the objective performance and the product segment as per the survey constructed:

Table 4.82: ***Units of measurement of objective performance & product segment***

PROD _SEG	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here product category has been measured through the percentage of production between the ladies segment, men's segment and the children's segment by the leather footwear firms and is one of the independent variables. The objective performance on the other hand is the dependent variable.

Correlation has been carried out with the % of production in the ladies segment and each one of the objective performance measures. The following table shows the analysis:

Table 4.83: ***Correlation between objective performance & product segment***

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE_ OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
PROD_ SEG (Ladies)	r =.154* sig = .044 N=173	r = .040 sig = .602 N= 168	r =.203* sig = .007 N=173	r = .272* sig = .000 N=174	r = .161* sig = .033 N=174	r = .324* sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The product category given by the % exported in the ladies segment by the exporting firms has no significant relationship with the objective performance with respect to profit after tax as for it the significance level is coming out to be .602.

However, the product category given by the % exported in the ladies segment by the exporting firms has significant relationship with the objective performance with respect to sales revenue, export volume, rejection rate, delivery speed and repeat customers as for the items the significance value has come up to be <.05.

$H_0$5.2: The product category (ladies segment) has no significant relation in the subjective performance of a firm.

The table below shows the units of measurement of the subjective performance and the product segment as per the survey constructed:

Table 4.84: *Units of measurement of subjective performance & product segment*

PROD_ SEG	SAL_REV_ SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

Here product category has been measured through the percentage of production between the ladies segment, men's segment and the children's segment by the leather footwear firms and is one of the independent variables. The subjective performance on the other hand is the dependent variable.

Correlation has been carried out with the % of production in the ladies segment and each one of the subjective performance measures. The following table shows the analysis:

Table 4.85: ***Correlation between subjective performance & product segment***

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
PROD_ SEG	r = .233* sig = .041 N=174	r = .118 sig = .122 N= 174	r = .237* sig = .026 N=174	r = -.041 sig = .589 N=174	r = .157* sig = .039 N=174	r = .259* sig = .040 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The product category given by the % exported in the ladies segment by the exporting firms has no significant relationship with the subjective performance with respect to profit after tax, rejection rate, and repeat customers as the significance value against each of them is >.05.

The product category given by the % exported in the ladies segment by the exporting firms has significant relationship with the subjective performance with respect to sales revenue, export volume, delivery speed and repeat customers as the significance value against each of them is <.05.

$H_0$4.3: There is no significant difference in the mean objective performance of the exporting SME firms across levels of price competitiveness

($H_0$4.3: μ obj perf $_{\text{better than competitors}}$ = μ obj perf $_{\text{same as competitors}}$ = μ obj perf $_{\text{not good as competitors}}$ = μ obj perf $_{\text{not sure}}$)

The table below shows the units of measurement of the objective performance and price competitiveness of the firms as per the survey constructed:

Table 4.86: ***Units of measurement of objective performance & price competitiveness***

PRC_COMP	SAL_REV_ OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Nominal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here price competitiveness of the firms is one of the independent variables and objective performance being the dependent variable.

A one-way ANOVA has been carried out with price competitiveness of the firms and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.87: *ANOVA between sales revenue (objective) & price competitiveness*

SAL_REV_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8.6E+17	3	2.9E+17	2.33	.076
Within Groups	2.1E+19	169	1.2E+17		
Total	2.2E+19	172			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.88: *ANOVA between PAT (objective)& price competitiveness*

PAT_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.03E+16	3	6.8E+16	2.84	.039
Within Groups	3.9E+17	164	2.4E+15		
Total	4.1E+17	167			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.89: *ANOVA between export volume (objective)& price competitiveness*

EXP_VOL_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.5E+11	3	2.2E+11	1.35	.259
Within Groups	2.7E+13	169	1.6E+11		
Total	2.8E+13	172			

*Note: *p<.05, **p<.01, ***p<0.001; E+ (n-1) denotes10^{n-1}, where n denotes the no. of digits in the number*

Table 4.90: ***ANOVA between rejection rate (objective)& price competitiveness***

REJ_RATE_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.78	3	.59	1.174	.321
Within Groups	86.41	171	.50		
Total	88.19	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.91: ***ANOVA between delivery speed (objective)& price competitiveness***

DEL_SPD_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	257.81	3	85.93	.559	.643
Within Groups	26270.33	171	153.62		
Total	26528.14	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.92: ***ANOVA between repeat customers (objective) & price competitiveness***

REP_CUST_OBJ & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1269.84	3	423.28	1.20	.309
Within Groups	59939.58	171	350.52		
Total	61209.42	174			

*Note: *p<.05, **p<.01, ***p<0.001*

So from the tables 4.87 to 4.92, it clearly comes out that:

Price competitiveness of the exporting firms has no significant relationship with the objective performance with respect to sales revenue, export volume, rejection rate, delivery speed and repeat customers as the significance level is >.05 for every item mentioned.

However, price competitiveness of the exporting firms has significant relationship with the objective performance with respect to profit after tax as the significance level against it is .039.

$H_0$5.3: There is no significant difference in the mean subjective performance of the exporting SME firms across levels of price competitiveness

($H_0$5.3: μ sbj perf $_{\text{better than competitors}}$ = μ sbj perf $_{\text{same as competitors}}$ = μ sbj perf $_{\text{not good as competitors}}$ = μ sbj perf $_{\text{not sure}}$)

The table below shows the units of measurement of the subjective performance and price competitiveness of the firms as per the survey constructed:

Table 4.93: ***Units of measurement of subjective performance & price competitiveness***

PRC_ COMP	SAL_REV _SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST _SUB
Nominal	Interval	Interval	Interval	Interval	Interval	Interval

Here price competitiveness of the firms is one of the independent variables and subjective performance being the dependent variable.

A one-way ANOVA has been carried out with price competitiveness of the firms and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.94: ***ANOVA between sales revenue (subjective) & price competitiveness***

SAL_REV_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.93	3	4.64	6.19	.001
Within Groups	128.25	171	.75		
Total	142.19	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.95: ***ANOVA between PAT (subjective) & price competitiveness***

PAT_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	29.75	3	9.91	11.56	.000
Within Groups	145.85	170	.85		
Total	175.61	173			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.96: ***ANOVA between export volume (subjective) & price competitiveness***

EXP_VOL_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	22.70	3	7.56	7.28	.000
Within Groups	177.73	171	1.03		
Total	200.43	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.97: ***ANOVA between rejection rate (subjective) & price competitiveness***

REJ_RATE_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	19.34	3	6.44	4.47	.005
Within Groups	246.65	171	1.44		
Total	266.00	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.98: *ANOVA between delivery speed (subjective) & price competitiveness*

DEL_SPD_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.32	3	.44	.901	.442
Within Groups	84.10	171	.49		
Total	85.42	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Table 4.99: *ANOVA between repeat customer (subjective) & price competitiveness*

REP_CUST_SUB & PRC_COMP

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.06	3	.68	.895	.445
Within Groups	131.67	171	.77		
Total	133.73	174			

*Note: *p<.05, **p<.01, ***p<0.001*

Price competitiveness of the exporting firms has no significant relationship with the subjective performance with respect to delivery speed and repeat customers as for both the significance value is more than .05.

However, price competitiveness of the exporting firms has significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate as for every measure mentioned the significance value is less than .05.

$H_0$4.4: There is no significant difference in the mean objective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

($H_0$4.4: μ obj perf $_{\text{promotional activities present}}$ = μ obj perf $_{\text{promotional activities absent}}$)

Promotional activities have been measured through the absence or presence of five different actions taken up by the exporting firms. They are: Active

participation in trade fairs, presence of news releases, existence of company website, presence of company brochure and training for business development.

The table below shows the units of measurement of the objective performance and the promotional activities taken up by the firms as per the survey constructed:

Table 4.100: ***Units of measurement of objective performance and promotional activities***

PROM_ ACT	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL_ OBJ	REJ_RATE_ OBJ	DEL_SPD_ OBJ	REP_CUST_ OBJ
Nominal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Here the promotional activities are the independent variables and objective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with all the measures of promotional activities absent or present in an exporting firm with each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.101: ***Independent samples T test between objective performance & trade fair participation***

Active trade fair participation:		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_OBJ (N = 173)	-2.63	.009
PAT_OBJ (N = 168)	-3.06	.003
EXP_VOL_OBJ (N=173)	.087	.930
REJ_RATE_OBJ (N = 174)	-9.29	.354
DEL_SPD_OBJ (N = 174)	-3.18	.002
REP_CUST_OBJ (N = 174)	-5.09	.000

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of active trade fair participation as a promotional activity has a significant relationship with the objective performance of the firms with respect to

sales revenue, profit after tax, delivery speed and repeat customers as for every item mentioned the significance value is <.05.

Table 4.102: ***Independent samples T test between objective performance & news release***

Presence of news release		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_OBJ (N = 173)	-2.91	.004
PAT_OBJ (N = 168)	-3.00	.003
EXP_VOL_OBJ (N=173)	-1.94	.054
REJ_RATE_OBJ (N = 174)	-1.57	.117
DEL_SPD_OBJ (N = 174)	-2.15	.013
REP_CUST_OBJ (N = 174)	-5.07	.000

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of news-release as a promotional activity has a significant relationship with the objective performance of the firms with respect to sales revenue, profit after tax, delivery speed and repeat customers as for every item the significance value is <.05.

Table 4.103: ***Independent samples T test between objective performance & company website***

Existence of company website		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_OBJ (N = 173)	-2.68	.008
PAT_OBJ (N = 168)	-1.45	.147
EXP_VOL_OBJ (N=173)	1.51	1.33
REJ_RATE_OBJ (N = 174)	.735	.463
DEL_SPD_OBJ (N = 174)	-1.48	.139
REP_CUST_OBJ (N = 174)	-.316	.752

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that existence of company website as a promotional activity has a significant relationship with the objective performance of the firms with respect to sales revenue only as the significance level is .008.

Table 4.104: *Independent samples T test between objective performance & company brochure*

Presence of company brochure		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_OBJ (N = 173)	-1.35	.178
PAT_OBJ (N = 168)	-1.59	.113
EXP_VOL_OBJ (N=173)	-.882	.379
REJ_RATE_OBJ (N = 174)	-1.04	.299
DEL_SPD_OBJ (N = 174)	-1.39	.166
REP_CUST_OBJ (N = 174)	-3.59	.000

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of company brochure as a promotional activity has a significant relationship with the objective performance of the firms with respect to repeat customers only as the significance value attached to it is .000.

Table 4.105: *Independent samples T test between objective performance & training for BD*

Training for business development		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_OBJ (N = 173)	-1.64	.101
PAT_OBJ (N = 168)	-2.45	.015
EXP_VOL_OBJ (N=173)	-1.61	.109
REJ_RATE_OBJ (N = 174)	-1.08	.077
DEL_SPD_OBJ (N = 174)	-1.50	.134
REP_CUST_OBJ (N = 174)	-5.46	.000

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of training for business development as a promotional activity has a significant relationship with the

objective performance of the firms with respect to repeat customers only as the significance level attached to it is .000.

$H_0$5.4: There is no significant difference in the mean subjective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

($H_0$5.4: μ sbj perf $_{\text{promotional activities present}}$ = μ sbj perf $_{\text{promotional activities absent}}$)

Promotional activities have been measured through the absence or presence of five different actions taken up by the exporting firms. They are: Active participation in trade fairs, presence of news releases, existence of company website, presence of company brochure and training for business development.

The table below shows the units of measurement of the subjective performance and the promotional activities taken up by the firms as per the survey constructed:

Table 4.106: ***Unit of measurement of subjective performance & promotional activities***

PROM_ ACT	SAL_REV _SUB	PAT_ SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST _SUB
Nominal	Interval	Interval	Interval	Interval	Interval	Interval

Here the promotional activities are the independent variables and subjective performance being the dependent variable.

An independent samples T test (Comparison of mean) has been carried out with all the measures of promotional activities absent or present in an exporting firm with each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.107: *Independent samples T test between subjective performance & trade fair participation*

Active trade fair participation:		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_SUB (N =174)	3.03	.003
PAT_SUB (N =174)	3.75	.000
EXP_VOL_SUB (N =174)	3.22	.002
REJ_RATE_SUB (N =174)	-2.36	.019
DEL_SPD_SUB (N =174)	-1.21	.226
REP_CUST_SUB (N =174)	-1.16	.254

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of active trade fair participation as a promotional activity has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and rejection rate, the significance level for each of the items being <.05

Table 4.108: *Independent samples T test between subjective performance &news release*

Presence of news release		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_SUB (N =174)	2.16	.032
PAT_SUB (N =174)	2.79	.006
EXP_VOL_SUB (N =174)	2.81	.005
REJ_RATE_SUB (N =174)	-1.28	.202
DEL_SPD_SUB (N =174)	-1.32	.187
REP_CUST_SUB (N =174)	-2.07	.039

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of news-release as a promotional activity has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and repeat customers as all the significance values for the mentioned measures are <.05.

Table 4.109: *Independent samples T test between subjective performance & company website*

Existence of company website		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_SUB (N =174)	-4.30	.000
PAT_SUB (N =174)	-3.66	.000
EXP_VOL_SUB (N =174)	-5.38	.000
REJ_RATE_SUB (N =174)	4.42	.000
DEL_SPD_SUB (N =174)	-4.29	.000
REP_CUST_SUB (N =174)	-1.75	.081

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that existence of company website as a promotional activity has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for all the measures mentioned the significance value is .000.

Table 4.110: *Independent samples T test between subjective performance & company brochure*

Presence of company brochure		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_SUB (N =174)	1.65	.100
PAT_SUB (N =174)	2.13	.034
EXP_VOL_SUB (N =174)	1.72	.086
REJ_RATE_SUB (N =174)	-1.24	.216
DEL_SPD_SUB (N =174)	-1.40	.616
REP_CUST_SUB (N =174)	-2.67	.000

(Table: 4.110) *Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of company brochure as a promotional activity has a significant relationship with the subjective performance of the firms with respect to profit after tax and repeat customers only as the significance value for the two items are .034 and .000 respectively.

Table 4.111: ***Independent samples T test between subjective performance & training for BD***

Training for business development		
Differences between Mean	t value	Sig (2tailed)
SAL_REV_SUB (N =174)	2.28	.024
PAT_SUB (N =174)	3.20	.002
EXP_VOL_SUB (N =174)	3.03	.003
REJ_RATE_SUB (N =174)	-1.31	.192
DEL_SPD_SUB (N =174)	-1.38	.168
REP_CUST_SUB (N =174)	-1.98	.049

*Note: *p<.05, **p<.01, ***p<0.001*

So from the above table we find that presence of training for business development as a promotional activity has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and repeat customers only since the significance value for each of them is <.05.

$H_0$4.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the objective performance of the exporting firms.

The table below shows the units of measurement of the objective performance and the competitive priorities of the firms as per the survey constructed:

Table 4.112: ***Units of measurement of objective performance & competitive priorities***

COMP_PRT	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REJ_RATE_OBJ	DEL_SPD_OBJ	REP_CUST_OBJ
Interval	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

The competitive priorities of the exporting firms with respect to product quality, timely delivery and labour productivity have been rated by the firms and are one of the independent variables. The objective performance on the other hand is the dependent variable.

Correlation has been carried out with the ratings given for each of the components of competitive priority and each one of the objective performance measures. The following table shows the analysis:

Table 4.113: *Correlation between objective performance & competitive priorities*

CORR	SAL_REV_ OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
PROD_ QLY	r =.228** sig = .003 N=173	r = .189* sig = .014 N= 168	r =.172* sig = .023 N=173	r = .144 sig = .057 N=174	r = .388*** sig = .000 N=174	r = .930*** sig = .000 N=174
TML_ DEL	r =-.182 sig = .217 N=173	r = -.186 sig = .216 N= 168	r =-.038 sig = .619 N=173	r = -.032 sig = .671 N=174	r = -.828*** sig = .000 N=174	r = .277*** sig = .000 N=174
LAB_ PROD	r =.178* sig = .019 N=173	r = .257** sig = .001 N= 168	r =.066 sig = .387 N=173	r = .021 sig = .785 N=174	r = .133 sig = .080 N=174	r = .136 sig = .072 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Competitive priorities with respect to production quality of the exporting firms has significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume, delivery speed and repeat customers as for each one of them the significance value turns up to be <.05.

Competitive priorities with respect to time delivery by the exporting firms have significant relationship with the objective performance with respect to delivery speed and repeat customers as the significance value for both of them is found to be .000.

Competitive priorities with respect to labour productivity of the exporting firms have significant relationship with the objective performance with respect to sales revenue and profit after tax as the significance level comes out to be .019 and .001 respectively.

$H_0$5.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the subjective performance of the exporting firms.

The table below shows the units of measurement of the subjective performance and the competitive priorities of the firms as per the survey constructed:

Table 4.114: ***Units of measurement of subjective performance & competitive priorities***

COMP_ PRT	SAL_REV _SUB	PAT_ SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD _SUB	REP_CUST _SUB
Interval	Interval	Interval	Interval	Interval	Interval	Interval

The competitive priorities of the exporting firms with respect to product quality, timely delivery and labour productivity have been rated by the firms and are one of the independent variables. The subjective performance on the other hand is the dependent variable.

Correlation has been carried out with the ratings given for each of the components of competitive priority and each one of the subjective performance measures. The following table shows the analysis:

Table 4.115: ***Correlation between subjective performance & competitive priorities***

CORR	SAL_REV _SUB	PAT_ SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
PROD_ QLY	r = -.038 sig = .621 N=174	r = -.075 sig = .327 N= 174	r = -.075 sig = .345 N=174	r = .032 sig = .677 N=174	r = .178* sig = .019 N=174	r = .400*** sig = .000 N=174
TML_ DEL	r = .097 sig = .202 N=174	r = .051 sig = .500 N= 174	r = .026 sig = .730 N=174	r = .059 sig = .436 N=174	r = -.046 sig = .548 N=174	r = -.120 sig = .114 N=174
LAB_ PROD	r = .054 sig = .481 N=174	r = .234** sig = .002 N= 174	r = .118 sig = .121 N=174	r = .021 sig = .778 N=174	r = .144 sig = .057 N=174	r = .122 sig = .107 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Competitive priorities with respect to production quality of the exporting firms have significant relationship with the subjective performance with respect to delivery speed and repeat customers, the significance values being .019 and .000.

Competitive priorities with respect to time delivery by the exporting firms have no significant relationship with the subjective performance at large.

Competitive priorities with respect to labour productivity of the exporting firms have significant relationship with the subjective performance with respect to profit after tax only with a significance level .002.

$H_0$4.6: Different cost components have no significant relation with the objective performance of the exporting firms.

The table below shows the units of measurement of the objective performance and the cost structure of the exporting firms as per the survey constructed:

Table 4.116: ***Units of measurement of objective performance & cost***

COST	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

The cost structure of the firms has been measured through the percentage of cost incurred by the firms under different headings. Here it is one of the independent variables and the objective performance on the other hand is the dependent variable.

Correlation has been carried out with the different components of cost with the objective performance measures. The following tables show the analysis:

Table 4.117: ***Correlation between objective performance & excise and sales tax***

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL_ OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
EXC_ SAL_TAX	r = -.196* sig = .014 N=173	r = -.187* sig = .020 N=168	r = -.098 sig = .222 N= 173	r = -.104 sig = .193 N=174	r = -.089 sig = .263 N=174	r = -.219** sig = .007 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Excise and sales tax has significant relationship with the objective performance with respect to sales revenue, profit after tax, and repeat customers, the significance level for each measure being <.05.

Table 4.118: *Correlation between objective performance & cost behind power*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL_ OBJ	REJ_RATE_ OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
COST_ PWR	r = -.133 sig = .096 N=173	r = -.129 sig = .111 N=168	r = -.103 sig = .199 N= 173	r = -.097 sig = .225 N=174	r = -.050 sig = .533 N=174	r = -.191* sig = .016 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Cost behind power has significant relationship with the objective performance with respect to repeat customers only as the significance level for it is .016.

Table 4.119: *Correlation between objective performance & import duty behind leather*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
IMP_DUT _LTH	r = -.147 sig = .067 N=173	r = .156 sig = .053 N=168	r = -.094 sig = .238 N= 173	r = -.105 sig = .186 N=174	r = -.158* sig = .045 N=174	r = -.364*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind raw leather has a significant relationship with the objective performance with respect to delivery speed and repeat customer, the significance level being .045 and .000 respectively.

Table 4.120: *Correlation between objective performance & import duty behind components*

CORR	SAL_REV_ OBJ	PAT_ OBJ	EXP_VOL_ OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
IMP_DUT _COMP	r = -.203* sig = .011 N=173	r =-.231** sig = .004 N=168	r = -.071 sig = .376 N= 173	r = -.089 sig = .265 N=174	r = -.243** sig = .002 N=174	r = -.382*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind components has a significant relationship with the objective performance with respect to sales revenue, profit after tax, delivery

speed and repeat customer the significance level attached to each of the measures being <.05.

Table 4.121: ***Correlation between objective performance & import duty behind machines***

CORR	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
IMP_DUT _MCH	r = .005 sig = .950 N=173	r =-.043 sig = .592 N=168	r = -.130 sig = .103 N= 173	r = -.102 sig = .201 N=174	r = -.190* sig = .016 N=174	r = -.333*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind machines has a significant relationship with the objective performance with respect to delivery speed and repeat customer, the significance level being .016 and .000 respectively.

Table 4.122: ***Correlation between objective performance & cost behind raw materials***

CORR	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
COST_ RAW_MTR	r = .106 sig = .184 N=173	r =.135 sig = .092 N=168	r = .152 sig = .056 N= 173	r =.171 sig = .060 N=174	r = .152 sig = .056 N=174	r = .413*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The cost behind raw materials as a whole has a significant relationship with the objective performance with respect to repeat customer where the significance level is .000.

Table 4.123: ***Correlation between objective performance & labour wage***

CORR	SAL_REV_ OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
LAB_ WAG	r = .183* sig = .021 N=173	r = -.211** sig = .008 N=168	r = .159* sig = .046 N= 173	r = -.198* sig = .012 N=174	r = .222* sig = .005 N=174	r = .511*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The cost behind labour wages has a significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume,

rejection rate, delivery speed and repeat customer as for all the measures of performance the significance level is <.05.

Table 4.124: ***Correlation between objective performance & cost behind logistics***

CORR	SAL_REV_ OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
COST_ LOGST	r =- .281*** sig = .000 N=173	r = -.237** sig = .003 N=168	r = -.069 sig = .387 N= 173	r = -.048 sig = .546 N=174	r = .141 sig = .077 N=174	r = -.056 sig = .484 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Logistics cost has a significant relationship with the objective performance with respect to sales revenue and profit after tax as the significance level is .000 and .003 respectively.

$H_0$5.6: Different cost components have no significant relation with the subjective performance of the exporting firms.

The table below shows the units of measurement of the subjective performance and the cost structure of the exporting firms as per the survey constructed:

Table 4.125: ***Units of measurement of subjective performance & cost***

COST	SAL_REV_ SUB	PAT_ SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST_ SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

The cost structure of the firms has been measured through the percentage of cost incurred by the firms under different headings. Here it is one of the independent variables and the subjective performance on the other hand is the dependent variable.

Correlation has been carried out with the different components of cost with the subjective performance measures. The following tables show the analysis:

Table 4.126: *Correlation between subjective performance & excise and sales tax*

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
EXC_ SAL_TAX	r = .078 sig = .329 N=174	r = -.083 sig = .300 N=174	r = .168* sig = .034 N= 174	r = -.085 sig = .288 N=174	r = -.080 sig = .316 N=174	r = .047 sig = .555 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Excise and sales tax has significant relationship with the subjective performance with respect to export volume only as the significance value is .034 for it.

Table 4.127: *Correlation between subjective performance & cost behind power*

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST _SUB
COST_ PWR	r = .131 sig = .101 N=174	r = -.125 sig = .117 N=174	r = -.240** sig = .002 N= 174	r = -.054 sig = .503 N=174	r = -.030 sig = .703 N=174	r = -.098 sig = .219 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Cost behind power has significant relationship with the subjective performance with respect to export volume only with the significance value being .002

Table 4.128: *Correlation between subjective performance & import duty behind leather*

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
IMP_ DUT_LTH	r = -.207** sig = .008 N=174	r = -.255** sig = .001 N=174	r = -.193* sig = .014 N= 174	r = -.182 sig = .221 N=174	r = -.043 sig = .588 N=174	r = -.164* sig = .034 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind leather has a significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and repeat customer as for each of them the significance value is <.05.

Table 4.129: *Correlation between subjective performance & import duty behind components*

CORR	SAL_REV _SUB	PAT_ SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
IMP_DUT _COMP	r = .093 sig = .242 N=174	r =-.179* sig = .023 N=174	r = -.226** sig = .004 N= 174	r = -.105 sig = .187 N=174	r = .124 sig = .119 N=174	r = -.166* sig = .036 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind components has a significant relationship with the subjective performance with respect to profit after tax, export volume and repeat customer as the significance value for all the measures mentioned is <.05.

Table 4.130: *Correlation between subjective performance & import duty behind machines*

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
IMP_ DUT_MCH	r = -.262** sig = .001 N=174	r = -.370*** sig = .000 N=174	r = -.417*** sig = .000 N= 174	r =.446*** sig = .000 N=174	r = .047 sig = .558 N=174	r = -.056 sig = .481 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The import duty behind machines has a significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate as the significance value for all the measures mentioned is <.05.

Table 4.131: *Correlation between subjective performance & import duty behind raw materials*

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
COST_ RAW_MTR	r = -.320*** sig = .000 N=174	r = -.396*** sig = .000 N=174	r = -.465*** sig = .000 N= 174	r =.351*** sig = .000 N=174	r = .019 sig = .808 N=174	r = .125 sig = .114 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The cost behind raw materials as a whole has a significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate. (All significance values are <.05)

Table 4.132: ***Correlation between subjective performance & labour wage***

CORR	SAL_REV _SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
LAB_ WG	r = -.237** sig = .003 N=174	r = -.349*** sig = .000 N=174	r = -.383*** sig = .000 N= 174	r = .321*** sig = .000 N=174	r = .092 sig = .247 N=174	r = .152 sig = .055 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

The cost behind labour wages has a significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate as each one of them has a significance value <.05.

Table 4.133: ***Correlation between subjective performance & cost behind logistic***

CORR	SAL_REV_ SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
COST_ LOGST	r = -.331*** sig = .000 N=174	r = -.381*** sig = .000 N=174	r = -.390*** sig = .000 N= 174	r = .441*** sig = .000 N=174	r = .302*** sig = .000 N=174	r = .129 sig = .106 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Logistics cost has a significant relationship with the objective performance with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed; the significance value for them being less than .05.

$H_0$4.7: Imports of raw materials has no significant relation with the objective performance of the exporting firms.

The table below shows the units of measurement of the objective performance and the imports of raw materials done by the exporting firms as per the survey constructed:

Table 4.134: ***Units of measurement of objective performance & imports of raw materials***

IMP_RAW_MT	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

The imports of leather footwear exporting firm have been studied pertaining to raw leather, machineries and components. Here the importing amount, measured in terms of percentage, is one of the independent variables and the objective performance on the other hand is the dependent variable.

Correlation has been carried out with the import amount of each of the factors with each one of the objective performance measures. The following table shows the analysis:

Table 4.135: *Correlation between objective performance & imports of raw materials*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
IMP_ LTH	r =.353*** sig = .000 N=173	r = .342*** sig = .014 N= 168	r =.122 sig = .111 N=173	r = .020 sig = .794 N=174	r = .044 sig = .559 N=174	r = .281*** sig = .000 N=174
IMP_ MCH	r = -.013 sig = .862 N=173	r = -.059 sig = .444 N= 168	r = -.023 sig = .766 N=173	r = -.049 sig = .523 N=174	r = .231** sig = .002 N=174	r = .424*** sig = .000 N=174
IMP_ COMP	r =.087 sig = .254 N=173	r = .049 sig = .528 N= 168	r =-.083 sig = .279 N=173	r = -.147 sig = .053 N=174	r = -.163* sig = .031 N=174	r = .332*** sig = .000 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Imports pertaining to raw leather by the exporting firms have significant relationship with the objective performance with respect to sales revenue, profit after tax and repeat customers, the significance level for each one of them being <.05.

Imports pertaining to machines by the exporting firms have significant relationship with the objective performance with respect to delivery speed and repeat customers, the significance levels being .002 and .000 respectively.

Imports pertaining to components by the exporting firms have significant relationship with the objective performance with respect to delivery speed and repeat customers, the significance levels being .031 and .000 respectively.

$H_0$5.7: Imports of raw materials has no significant relation with the subjective performance of the exporting firms.

The table below shows the units of measurement of the subjective performance and the imports of raw materials done by the exporting firms as per the survey constructed:

Table 4.136: ***Units of measurement of subjective performance & imports of raw materials***

IMP_ RAW_MT	SAL_REV_ SUB	PAT_ SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
Ratio	Interval	Interval	Interval	Interval	Interval	Interval

The imports of leather footwear exporting firm have been studied pertaining to raw leather, machineries and components. Here the importing amount, measured in terms of percentage, is one of the independent variables and the subjective performance on the other hand is the dependent variable.

Correlation has been carried out with the import amount of each of the factors with each one of the subjective performance measures. The following table shows the analysis:

Table 4.137: ***Correlation between subjective performance & imports of raw materials***

CORR	SAL_REV_ SUB	PAT_SUB	EXP_VOL _SUB	REJ_RATE_ SUB	DEL_SPD_ SUB	REP_CUST _SUB
IMP_ LTH	r =.045 sig = .550 N=173	r = -.034 sig = .659 N= 168	r =.002 sig = .975 N=173	r = .004 sig = .956 N=174	r = .095 sig = .209 N=174	r = .113 sig = .137 N=174
IMP_ MCH	r = .374*** sig = .000 N=173	r = .428*** sig = .000 N= 168	r = .402*** sig = .000 N=173	r = -.290*** sig = .000 N=174	r = -.033 sig = .662 N=174	r = -.111 sig = .144 N=174
IMP_ COMP	r =.246** sig = .001 N=173	r = .284*** sig = .000 N= 168	r =.251** sig = .001 N=173	r = -.319*** sig = .000 N=174	r =.084 sig = .267 N=174	r =-185* sig = .014 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Imports pertaining to raw leather by the exporting firms have no significant relationship with the subjective performance of the firms at large. (Significance level pertaining to all measures are >.05)

Imports pertaining to machines by the exporting firms have significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate, the significance level being .000 for every measure.

Imports pertaining to components by the exporting firms have significant relationship with the subjective performance with respect to sales revenue, profit after tax, export volume and rejection rate, the significance level being >.05 for every measure.

$H_0$4.8: There is no significant difference in the mean objective performance of the exporting SME firms across different investment priorities

($H_0$4.8: μ obj performance $_{rank1\ j}$ = μ obj performance $_{rank2\ j}$ = μ obj performance $_{rank3\ j}$ = μ obj performance $_{rank4\ j}$ = μ obj performance $_{rank5\ j}$ = μ obj performance $_{rank6\ j}$ = μ obj performance $_{rank7\ j}$ = μ obj performance $_{rank8\ j}$ = μ obj performance $_{rank9\ j}$); where j stands for the different areas of investment

The table below shows the units of measurement of the objective performance and the investment priorities of the firms as per the survey constructed:

Table 4.138: ***Units of measurement of objective performance & investment priorities***

INV_ PRIO	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE_ OBJ	DEL_SPD_ OBJ	REP_CUST_ OBJ
Ordinal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Investment priorities of the exporting firms have been measured in terms of nine different areas where investing was felt to be important. Here investment priorities (which have been ranked by the firms) are one of the independent variables and objective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of investment and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.139: ***ANOVA between objective performance and R&D***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
R&D (Sig value)	.744 F= .639	.324 F= 1.16	.543 F= .870	.299 F= 1.20	.237 F= 1.32	. 096 F= 1.72

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.139 it clearly comes out that there is no significant relationship between investing in R&D and the objective performance of the firms at large as all the significance level for all types of measure comes out to be >.05.

Table 4.140: ***ANOVA between objective performance and IT***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE_ OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
IT (Sig value)	.001 F= 3.65	.045 F= 2.03	.003 F= 3.09	.025 F= 2.26	.749 F= .633	.000 F= 4.29

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.140 it clearly comes out that there is a significant relationship between investing in IT and the objective performance with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customers as the significance level for each measure mentioned is <.05.

Table 4.141: ***ANOVA between objective performance and Market Research***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
MKT_RSC (Sig value)	.164 F= 1.49	.287 F= 1.22	.638 F= .760	.362 F= 1.10	.200 F= 1.40	.000 F= 7.44

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.141 it clearly comes out that there is a significant relationship between investing in Market research and the objective performance with respect to repeat customers as the significance level is .000.

Table 4.142: ***ANOVA between objective performance and Training of employees***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL_ OBJ	REJ_RATE _OBJ	DEL_SPD_ OBJ	REP_CUST _OBJ
TRN_EMP (Sig value)	.668 F= .726	.735 F= .650	.934 F= .373	.822 F= .544	.030 F= 2.20	.001 F= 3.44

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.142 it clearly comes out that there is a significant relationship between investing behind training of employees and the objective performance with respect to delivery speed and repeat customers.

Table 4.143: ***ANOVA between objective performance and Automation in process***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
AUT_PROC (Sig value)	.368 F= 1.09	.735 F= .649	.547 F= .866	.372 F= 1.09	.213 F= 1.37	.000 F= 5.44

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.143 it clearly comes out that there is a significant relationship between investing in automation of processes and the objective performance with respect to repeat customers; the significance level coming out to be .000.

Table 4.144: ***ANOVA between objective performance and product design***

ANOVA	SAL_REV _OBJ	PAT_ OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
PROD_DSG (Sig value)	.164 F= 1.49	.573 F= .835	.294 F= 1.21	.145 F= 1.54	.150 F= 1.53	.000 F= 4.52

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.144 it clearly comes out that there is a significant relationship between investing behind product designs and the objective performance with respect to repeat customers as the significance has come out to be .000.

Table 4.145: *ANOVA between objective performance and promotional activity*

ANOVA	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REJ_RATE_OBJ	DEL_SPD_OBJ	REP_CUST_OBJ
PROM_ACV (Sig value) F value	.510 F= .909	.726 F= .660	.857 F= .497	.808 F= .562	.001 F= 3.67	.005 F= 2.91

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.145 it clearly comes out that there is a significant relationship between investing in promotional activities and the objective performance with respect to delivery speed and repeat customers; the significance levels being .001 and .005 respectively.

Table 4.146: *ANOVA between objective performance and quality control*

ANOVA	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REJ_RATE_OBJ	DEL_SPD_OBJ	REP_CUST_OBJ
QLT_CNT (Sig value)	.125 F= 1.61	.170 F= 1.47	.274 F= 1.25	.501 F= .921	.198 F= 1.40	.000 F= 5.09

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.146 it clearly comes out that there is a significant relationship between investing behind quality control and the objective performance with respect to repeat customers; the significance level coming out to be .000.

Table 4.147: *ANOVA between objective performance and welfare of employees*

ANOVA	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REJ_RATE_OBJ	DEL_SPD_OBJ	REP_CUST_OBJ
WLF_EMP (Sig value)	.566 F= .844	.503 F= .918	.349 F= 1.12	.650 F= .747	.063 F= 1.90	.628 F= .772

*Note: *p<.05, **p<.01, ***p<0.001*

So from the table 4.147 it clearly comes out that there is no significant relationship between investing behind the welfare of employees and the objective performance of the firms at large. (All significance level comes out to be >.05).

$H_0$5.8: There is no significant difference in the mean subjective performance of the exporting SME firms across different investment priorities

($H_0$5.8: μ sbj performance $_{rank1\ j}$ = μ sbj performance $_{rank2\ j}$ = μ sbj performance $_{rank3\ j}$ = μ sbj performance $_{rank4\ j}$ = μ sbj performance $_{rank5\ j}$ = μ sbj performance $_{rank6\ j}$ = μ sbj performance $_{rank7\ j}$ = μ sbj performance $_{rank8\ j}$ = μ sbj performance $_{rank9\ j}$); where j stands for the different areas of investment

The table below shows the units of measurement of the subjective performance and the investment priorities of the firms as per the survey constructed:

Table 4.148: *Units of measurement of subjective performance and investment priorities*

INV_PRIO	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ordinal	Interval	Interval	Interval	Interval	Interval	Interval

Investment priorities of the exporting firms have been measured in terms of nine different areas where investing was felt to be important. Here investment priorities (which have been ranked by the firms) are one of the independent variables and subjective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of investment and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.149: *ANOVA between subjective performance and R&D*

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
R&D (Sig value)	.000 F= 4.77	.000 F= 6.39	.000 F= 4.98	.007 F= 2.76	.742 F= .641	.007 F= 2.75

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that investment behind R&D have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customers; the significance level for these measures being <.05.

Table 4.150: *ANOVA between subjective performance and IT*

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
IT (Sig value)	.000 F= 3.78	.001 F= 3.65	.000 F= 5.54	.000 F= 6.71	.619 F= .782	.040 F= 2.08

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that investment in IT have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customers; the significance level for these measures being <.05.

Table 4.151: *ANOVA between subjective performance and Market Research*

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
MKT_RSC (Sig value) F value	.002 F= 3.23	.003 F=3.13	.000 F= 4.57	.015 F= 2.46	.283 F= 1.23	.028 F= 2.22

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that investment in market research have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customers.

Table 4.152: ***ANOVA between subjective performance and Training of employees***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
TRN_EMP (Sig value) F value	.047 F= 2.02	.022 F= 2.32	.049 F= 2.00	.007 F= 2.73	.403 F= 1.04	.258 F= 1.27

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that investment behind training of employees have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume and rejection rate as each one of the significance level is <.05.

Table 4.153: ***ANOVA between subjective performance and Automation of process***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
AUT_PROC (Sig value)	.000 F= 4.12	.000 F= 7.02	.000 F= 7.27	.000 F= 3.80	.958 F= .319	.024 F= 2.28

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that investment in automation of processes have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customer; significance levels being <.05.

Table 4.154: ***ANOVA between subjective performance and Product design***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
PROD_DSG (Sig value)	.005 F= 2.87	.000 F= 3.97	.000 F= 4.34	.000 F= 4.60	.320 F= 1.17	.025 F= 2.27

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that investment in product design have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customer as the significance levels are <.05.

Table 4.155: *ANOVA between subjective performance and promotional activity*

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
PROM_ACV (Sig value)	.880 F= 4.64	.477 F= .950	.266 F= 1.26	.088 F= 1.76	.744 F= .639	.009 F= 2.65

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that investment in promotional activities have a significant relationship with the subjective performance of the firm with respect to repeat customer with the significance level being .009.

Table 4.156: *ANOVA between subjective performance and quality control*

ANOVA	SAL_REV_ SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
QLT_CNT (Sig value)	.000 F= 4.29	.000 F= 4.72	.000 F= 6.52	.000 F= 5.67	.413 F= 1.03	.000 F= 3.19

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that investment behind quality control measures have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customer; the significance level for each measure being <.05.

Table 4.157: *ANOVA between subjective performance and welfare of employees*

ANOVA	SAL_REV_ SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
WLF_EMP (Sig value)	.022 F= 3.22	.000 F= 4.17	.008 F= 2.68	.016 F= 2.43	.529 F= .886	.012 F= 2.55

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that investment behind welfare of employees have a significant relationship with the subjective performance of the firm with respect to sales revenue, profit after tax, export volume, rejection rate and repeat customer. (All significance levels being <.05)

4.6 Findings with respect to Study 4:

Study 4 of the research examined the external factors affecting the performance of the exporting leather footwear SME firms. External factors of the firms were measured through: Physical infrastructure, support infrastructure, horizontal clustering, vertical clustering and institutes present in the cluster. Accordingly there are a number of different hypotheses to be tested. They are listed and tested one by one.

$H_0$6.1: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of physical infrastructure

($H_0$6.1: μ obj performance $_{rank1\ j}$ = μ obj performance $_{rank2\ j}$ = μ obj performance $_{rank3\ j}$ = μ obj performance $_{rank4\ j}$); where j stands for the different areas of physical infrastructure

The table below shows the units of measurement of the objective performance and the physical infrastructure of the firms as per the survey constructed:

Table 4.158: ***Units of measurement of objective performance & physical infrastructure***

PHY_IFS	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ordinal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Physical infrastructure of the exporting firms has been measured in context of four different areas which was found to be important for leather footwear firms. Here the physical infrastructures (which have been ranked by the firms) are one of the independent variables and objective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of physical infrastructure and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.159: ***ANOVA between objective performance & power***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
PWR (Sig value)	.007 F= 4.21	.057 F= 2.56	.763 F= .387	.865 F= .245	.474 F= .840	.989 F= .040

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that power being a physical infrastructure has a significant relationship with the objective performance of the firm with respect to sales revenue only as the significance value for it is .007.

Table 4.160: ***ANOVA between objective performance & water supply***

ANOVA	SAL_REV_ OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
WAT_SPP (Sig value)	.155 F= 1.77	.338 F= 1.13	.154 F= 1.77	.236 F= 1.42	.921 F= .163	.044 F= 2.76

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that water supply being a physical infrastructure has a significant relationship with the objective performance of the firm with respect to repeat customer only as the significance value for it is .044 (i.e. <.05)

Table 4.161: ***ANOVA between objective performance & waste management***

ANOVA	SAL_REV_ OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
WST_MGMT (Sig value)	.181 F= 1.64	.361 F= 1.07	.090 F= 2.20	.195 F= 1.58	.077 F= 2.31	.026 F= 3.16

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that solid waste management being a physical infrastructure has a significant relationship with the objective performance of the firm with respect to repeat customer only as the significance value for it is .026.

Table 4.162: ***ANOVA between objective performance & logistics and transportation***

ANOVA	SAL_REV_ OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
LGT_TRP (Sig value)	.277 F= 1.29	.036 F= 1.07	.906 F= .185	.983 F= .055	.047 F= 1.64	.540 F= .722

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that logistic and transportation being a physical infrastructure has significant relationship with the objective performance of the firms with respect to profit after tax and delivery speed as the significance level for them is<.05.

$H_0$7.1: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of physical infrastructure

($H_0$7.1: μ sbj performance $_{rank1\ j}$ = μ sbj performance $_{rank2\ j}$ = μ sbj performance $_{rank3\ j}$ = μ sbj performance $_{rank4\ j)}$; where j stands for the different areas of physical infrastructure

The table below shows the units of measurement of the subjective performance and the physical infrastructure of the firms as per the survey constructed:

Table 4.163: ***Units of measurement of subjective performance & physical infrastructure***

PHY _IFS	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ordinal	Interval	Interval	Interval	Interval	Interval	Interval

Physical infrastructure of the exporting firms has been measured in context of four different areas which was found to be important for leather footwear firms. Here the physical infrastructures (which have been ranked by the firms) are one of the independent variables and subjective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of physical infrastructure and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.164: ***ANOVA between subjective performance & power***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
PWR (Sig value)	.000 F= 6.49	.000 F= 7.82	.763 F= .387	.000 F= 5.10	.474 F= .840	.091 F= 2.18

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that power being a physical infrastructure has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax and rejection rate as the significance values against each of the measures are <.05.

Table 4.165: ***ANOVA between subjective performance & water supply***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE_ SUB	DEL_SPD _SUB	REP_CUST _SUB
WTR_SPP (Sig value)	.026 F= 3.15	.026 F= 3.17	.045 F= 2.73	.031 F= 3.01	.558 F= .693	.204 F= 1.54

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that water supply being a physical infrastructure has a significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and rejection rate as the significance values against each of the measures are <.05.

Table 4.166: ***ANOVA between subjective performance & waste management***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
WST_MGMT (Sig value)	.053 F= 2.30	.228 F= 1.45	.001 F= 5.10	.003 F= 4.95	.001 F= .5.98	.020 F= 3.20

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that solid waste management being a physical infrastructure has a significant relationship with the subjective performance of the firms with respect to export volume, rejection rate, delivery speed and repeat customer only as the significance values against each of the measures are <.05.

Table 4.167: ***ANOVA between subjective performance & logistic and transportation***

ANOVA	SAL_REV _SUB	PAT _ SUB	EXP_VOL _ SUB	REJ_RATE _ SUB	DEL_SPD _ SUB	REP_CUST _ SUB
LGT_TRP (Sig value)	.013 F= 3.68	.000 F= 7.14	.023 F= 3.24	.118 F= 1.98	.040 F= 2.83	.051 F= 2.63

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that logistic and transportation being a physical infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and delivery speed at large as for each and every measure of performance the significance level is <.05.

$H_0$6.2: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of support infrastructure

($H_0$6.2: μ obj performance $_{rank1\ j}$ = μ obj performance $_{rank2\ j}$ = μ obj performance $_{rank3\ j}$ = μ obj performance $_{rank4\ j}$ = μ obj performance $_{rank5\ j}$ = μ obj performance $_{rank6\ j}$ = μ obj performance $_{rank7\ j}$); where j stands for the different areas of support infrastructure

The table below shows the units of measurement of the objective performance and the support infrastructure of the firms as per the survey constructed:

Table 4.168: ***Units of measurement of objective performance & support infrastructure***

SUP_IFS	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
Ordinal	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio

Support infrastructure of the exporting firms has been measured in context of seven different areas which was found to be important for leather footwear firms. Here the support infrastructures (which have been ranked by the firms) are one of the independent variables and objective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of support infrastructure and each one of the objective performance measures one by one. The following tables show the analysis:

Table 4.169: ***ANOVA between objective performance & testing laboratories***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
TST_LAB (Sig value)	.069 F= 1.99	.180 F= 1.50	.076 F= 1.84	.369 F= 1.09	.256 F= 1.30	.026 F= 2.46

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of testing laboratories as a support infrastructure has significant relationship with the objective performance of the firms with respect to repeat customer only as for it the significance level is <.05 (.026)

Table 4.170: ***ANOVA between objective performance & tanneries***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
TANN (Sig value)	.004 F= 3.37	.272 F= 1.27	.681 F= .661	.961 F= .244	.090 F= 1.86	.000 F= 4.27

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that tanneries as a support infrastructure has significant relationship with the objective performance of the firms with respect to sales revenue and repeat customer as for both the items the significance level is <.05.

Table 4.171: ***ANOVA between objective performance & skilled manpower***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
SKL_MAN (Sig value)	.740 F= .587	.533 F= .850	.215 F= 1.40	.074 F= 1.96	.024 F= 2.50	.000 F= 6.40

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that presence of skilled manpower as a support infrastructure has significant relationship with the objective performance of the firms with respect to delivery speed and repeat customer only as for them the significance level are .024 and .000 respectively.

Table 4.172: ***ANOVA between objective performance & materials market***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
MAT_MKT (Sig value)	.026 F= 2.46	.132 F= 1.66	.015 F= 1.13	.549 F= .829	.041 F= 2.24	.019 F= 2.60

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that presence of materials market as a support infrastructure has significant relationship with the objective performance of the firms with respect to sales revenue, delivery speed and repeat customer as for them the significance level is <.05.

Table 4.173: ***ANOVA between objective performance & effluent treatment plants***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
EFF_PLT (Sig value)	.259 F= 1.30	.506 F= .887	.867 F= .416	.346 F= 1.13	.051 F= 2.14	.004 F= 3.33

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of effluent treatment plants as a support infrastructure has significant relationship with the objective performance of the firms with respect to repeat customer only as for it the significance level is <.004.

Table 4.174: ***ANOVA between objective performance & design studios***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
DSG_STD (Sig value)	.001 F= 3.82	.137 F= 1.64	.623 F= .724	.119 F= 1.72	.549 F= .828	.360 F= 1.10

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of Design studios plants as a support infrastructure has significant relationship with the objective performance of the firms with respect to sales revenue only as for it the significance level is <.001 (i.e. <.05)

Table 4.175: ***ANOVA between objective performance &buyers studios***

ANOVA	SAL_REV _OBJ	PAT _OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
BUY_STD (Sig value)	.088 F= 1.87	.316 F= 1.18	.594 F= .770	.909 F= .350	.787 F= .528	.178 F= 1.50

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that presence of buyer interactive studios as a support infrastructure has no significant relationship with the objective performance of the firms at large as the significant values for each and every measure is >.05.

$H_0$7.2: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of support infrastructure

($H_0$7.2: μ sbj performance $_{rank1\ j}$ = μ sbj performance $_{rank2\ j}$ = μ sbj performance $_{rank3\ j}$ = μ sbj performance $_{rank4\ j}$ = μ sbj performance $_{rank5\ j}$ = μ

sbj performance $_{rank6\ j}$ = μ sbj performance $_{rank7\ j}$); where j stands for the different areas of support infrastructure

The table below shows the units of measurement of the subjective performance and the support infrastructure of the firms as per the survey constructed:

Table 4.176: ***Units of measurement of subjective performance & support infrastructure***

SUP_IFS	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
Ordinal	Interval	Interval	Interval	Interval	Interval	Interval

Support infrastructure of the exporting firms has been measured in context of seven different areas which was found to be important for leather footwear firms. Here the support infrastructures (which have been ranked by the firms) are one of the independent variables and subjective performance being the dependent variable.

A one-way ANOVA has been carried out with the different components of support infrastructure and each one of the subjective performance measures one by one. The following tables show the analysis:

Table 4.177: ***ANOVA between subjective performance & testing laboratories***

ANOVA	SAL_REV_ SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
TST_LAB (Sig value)	.000 F= 4.59	.000 F= 4.79	.000 F= 5.75	.000 F= 5.33	.022 F= 2.54	.007 F= 3.06

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of testing laboratories as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume, rejection rate, delivery speed and repeat customer as for every item the significance level is <.05.

Table 4.178: ***ANOVA between subjective performance & tanneries***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
TANN (Sig value)	.012 F= 2.84	.003 F= 3.40	.002 F= 3.72	.000 F= 4.53	.026 F= 2.46	.171 F= 1.53

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that tanneries as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for all the items the significance level is <.05.

Table 4.179: ***ANOVA between subjective performance & skilled manpower***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
SKL_MAN (Sig value)	.000 F= 4.55	.000 F= 7.21	.000 F= 7.42	.000 F= 6.44	.053 F= 2.12	.107 F= 1.77

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that presence of skilled manpower as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and rejection rate as for them the significance level is <.05.

Table 4.180: ***ANOVA between subjective performance & materials market***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL _SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
MAT_MKT (Sig value)	.034 F= 2.33	.002 F= 3.65	.001 F= 4.22	.001 F= 4.10	.001 F= 3.98	.109 F= 1.76

*Note: *p<.05, **p<.01, ***p<0.001*

The above findings shows us that presence of materials market as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for them the significance level is <.05.

Table 4.181: ***ANOVA between subjective performance & effluent treatment plants***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
EFF_PLT (Sig value)	.038 F= 2.28	.162 F= 1.55	.000 F= 4.92	.000 F= 4.77	.011 F= 2.86	.560 F= .815

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of effluent treatment plants as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, export volume and rejection rate as for all these items the significance level is <.05.

Table 4.182: ***ANOVA between subjective performance & design studios***

ANOVA	SAL_REV _SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
DSG_STD (Sig value)	.000 F= 4.33	.003 F= 3.53	.000 F= 4.66	.003 F= 3.50	.002 F= 3.67	.521 F= .867

*Note: *p<.05, **p<.01, ***p<0.001*

The above table shows us that presence of Design studios as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume, rejection rate and delivery speed as for these items the significance level is <.05.

Table 4.183: ***ANOVA between subjective performance & buyers studios***

ANOVA	SAL_REV_ SUB	PAT _SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD_ SUB	REP_CUST _SUB
BUY_STD (Sig value)	.001 F= 4.25	.000 F= 4.80	.000 F= 6.29	.017 F= 2.66	.020 F= 2.57	.652 F= .698

*Note: *p<.05, **p<.01, ***p<0.001*

The above analysis shows us that presence of buyer interactive studios as a support infrastructure has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export

volume, rejection rate and delivery speed as the significant values for each measure is <.05.

$H_0$6.3a: Horizontal clustering between firms has no significant relation with the objective performance of the exporting firms.

Horizontal clustering in this study has been measured through the following concepts which are done amongst the competing exporting firms: sharing the bulk order of the importers, bulk purchase of raw materials, sharing market leads, collective learning from process innovation, collective learning from product design innovation, revolving funds, joint established shops and collective investments. The data for this construct has been collected through a semantic rating scale in the survey. The reliability analysis done through Cronbach Alpha for horizontal clustering, gives a value of .891.

Table 4.184: *Reliability analysis of Horizontal cluster*

Reliability Statistics

Cronbach's Alpha	N of Items
.891	8

Henceforth a confirmatory factor analysis was run to test the content validity and to ensure whether latent constructs emanates from the measures used.

The given tables show the results which emerged after running a factor analysis on the measures of horizontal clustering:

Table 4.185: *KMO & Bartlett's test of Horizontal cluster*

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.807
Bartlett's Test of Sphericity	Approx. Chi-Square	367.499
	Df	28
	Sig.	.000

Table 4.186: *Rotated Component Matrix test of Horizontal cluster*

Rotated Component Matrix[a]

	Component	
	1	2
Q_25_1 Bulk order	.508	.574
Q_25_2 Bulk purchase	.790	.186
Q_25_3 market leads	-.110	.832
Q_25_4 Collective learning for process innovation	.494	.239
Q_25_5 Collective learning for product design innovation	.727	.130
Q_25_6 revolving funds	.353	.588
Q_25_7 joint established shops	.720	-.021
Q_25_8 collective investments	.617	.491

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

So from the above table two factors which are derived are:

Table 4.186a: *Supply chain efficiency (Factor 1)*

Factor (Component 1)	BLK_PRC	COLL_LRN_PROC	COLL_LRN_DSG	JNT_SHP	COLL_INV
Supply chain efficiency	.790	.494	.727	.720	.617

Table 4.186b: *Economic leverage (Factor 2)*

Factor (Component 2)	BLK_ORD	MKT_LED	REV_FND
Economic leverage	.574	.832	.588

Now in order to test the hypothesis, a correlation has been carried out between the different measures of objective performance with the factors "Supply chain efficiency" and "Economic leverage" respectively.

The table below shows the analysis:

Table 4.187: *Correlation between objective performance & horizontal cluster*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
SS_CHN _EFF	r =.331*** sig = .000 N=173	r = .310*** sig = .000 N= 168	r =.009 sig = .903 N=173	r = .127 sig = .094 N=174	r = .268*** sig = .000 N=174	r = .358*** sig = .000 N=174
ECO_ LEV	r =.218** sig = .004 N=173	r = .166* sig = .031 N= 168	r = -.133 sig = .081 N=173	r = .022 sig = .771 N=174	r = .139 sig = .067 N=174	r = .206** sig = .006 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

So we find that, the factor "Supply chain efficiency" has a significant relationship with the objective performance of the firms with respect to sales revenue, profit after tax, delivery speed and repeat customer as for each of these cases the significance level comes to be <.05.

The above table also shows us that, the factor "Economic leverage" has a significant relationship with the objective performance of the firms with respect to sales revenue, profit after tax and repeat customers as for each of these cases the significance level comes to be <.05.

$H_0$7.3a: Horizontal clustering between firms has no significant relation with the subjective performance of the exporting firms.

In order to test the above hypothesis, a correlation has been carried out between the different measures of subjective performance with the factors "Supply chain efficiency" and "Economic leverage" respectively. Factors "Supply chain efficiency" and "Economic leverage" have come out after running a confirmatory factor analysis on the measures of horizontal clustering.

The table below shows the analysis:

Table 4.188: ***Correlation between subjective performance & horizontal cluster***

CORR	SAL_REV_SUB	PAT_SUB	EXP_VOL_SUB	REJ_RATE_SUB	DEL_SPD_SUB	REP_CUST_SUB
SS_CHN_EFF	r =.153* sig = .043 N=173	r = .121 sig = .111 N= 168	r =.189** sig = .001 N=173	r = -.270 sig = .000 N=174	r = .345*** sig = .000 N=174	r = .324*** sig = .000 N=174
ECO_LEV	r = .136 sig = .073 N=173	r = .085 sig = .263 N= 168	r = .199** sig = .008 N=173	r = -.236** sig = .002 N=174	r = .250** sig = .001 N=174	r = .219** sig = .004 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

We find that, the factor “Supply chain efficiency” has a significant relationship with the subjective performance of the firms with respect to sales revenue, export volume, delivery speed and repeat customer as for each of these cases the significance level comes to be <.05.

The above table also shows us that, the factor “Economic leverage” has a significant relationship with the subjective performance of the firms with respect to export volume, rejection rate, delivery speed and repeat customers as for each of these cases the significance level comes to be <.05.

$H_0$6.3b: Vertical clustering facilities as provided by the government have no significant relation with the objective performance of the exporting firms.

Vertical clustering, as provided by the government, has been measured through the following concepts in this research work: common raw material supply center, common loan authorizing center, development of human resource skills, common facilities and SEZ’s. The data for this construct has been collected through a semantic rating scale in the survey. The reliability analysis done through Cronbach Alpha for vertical clustering, gives a value of .702.

Table 4.189: *Reliability analysis of vertical cluster*

Reliability Statistics

Cronbach's Alpha	N of Items
.702	5

Henceforth a confirmatory factor analysis was run to test the content validity and to ensure whether latent constructs emanates from the measures used.

The given tables show the results which emerged after running a factor analysis on the measures of vertical clustering:

Table 4.190: *KMO & Bartlett's test of vertical cluster*

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.659
Bartlett's Test of Sphericity	Approx. Chi-Square	49.773
	Df	10
	Sig.	.000

Table 4.191: *Rotated Component Matrix of vertical cluster*

Rotated Component Matrix[a]

	Component		
	1	2	3
Q_26_1 Common raw material supply center	.043	.817	-.108
Q_26_2 Common loan authorizing center	.754	-.129	.429
Q_26_3 development of human resource skills	.037	.680	.326
Q_26_4 Common facilities	.857	.187	-.212
Q_26_5 SEZ's	.010	.109	.907

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

So from the above table three factors which are derived are:

Table 4.191a: *Economic Multiplier (Factor 1)*

Factor (Component 1)	COMM_LOAN	COMM_FACL
Economic Multiplier	.754	.857

Table 4.191b: *Resource Multiplier (Factor 2)*

Factor (Component 2)	COMM_RM_SS	DEV_HR_SKL
Resource Multiplier	.574	.608

Table 4.191c: *SEZ (Factor 3)*

Factor (Component 2)	SEZ
SEZ	.907

Now in order to test the hypothesis, a correlation has been carried out between the different measures of objective performance with the factors "Economic Multiplier", "Resource Multiplier" and "SEZ" respectively.

The table below shows the analysis:

Table 4.192: *Correlation between objective performance and vertical cluster*

CORR	SAL_REV _OBJ	PAT_OBJ	EXP_VOL _OBJ	REJ_RATE _OBJ	DEL_SPD _OBJ	REP_CUST _OBJ
ECO_ MTP	r = - .101 sig = .188 N=173	r = -.080 sig = .300 N= 168	r = -.037 sig = .625 N=173	r = .004 sig = .959 N=174	r = .004 sig = .958 N=174	r = -.031 sig = .685 N=174
RES_ MTP	r = -.037 sig = .479 N=173	r = -.026 sig = .736 N= 168	r = .144* sig = .044 N=173	r = .086 sig = .255 N=174	r = .005 sig = .942 N=174	r = .168* sig = .026 N=174
SEZ	r = .134 sig = .078 N=173	r = .266* sig = .031 N= 168	r = .121* sig = .013 N=173	r = -.020 sig = .792 N=174	r = .035 sig = .645 N=174	r = -.058 sig = .444 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

So we find that, the factor “Economic Multiplier” has no significant relationship with the objective performance of the firms at large as for every item the significance level comes to be >.05.

The above table also shows us that, the factor “Resource Multiplier” has a significant relationship with the objective performance of the firms with respect to export volume and repeat customers as for each of these cases the significance level comes to be <.05.

We also observe that, the factor SEZ has a significant relationship with the objective performance of the firms with respect to profit after tax and export volume as for these cases the significance level comes to be <.05.

$H_0$7.3b: Vertical clustering facilities as provided by the government have no significant relation with the subjective performance of exporting firms.

Now in order to test the hypothesis, a correlation has been carried out between the different measures of subjective performance with the factors “Economic Multiplier”, “Resource Multiplier” and “SEZ” respectively.

The table below shows the analysis:

Table 4.193: *Correlation between subjective performance and vertical cluster*

CORR	SAL_REV_ SUB	PAT_SUB	EXP_VOL_ SUB	REJ_RATE _SUB	DEL_SPD _SUB	REP_CUST _SUB
ECO_MTP	r = - .252** sig = .001 N=173	r = -.241** sig = .001 N= 168	r = -.296*** sig = .000 N=173	r = .335*** sig = .000 N=174	r = -.125 sig = .100 N=174	r = -.055 sig = .474 N=174
RES_MTP	r = -.068 sig = .371 N=173	r = -.024 sig = .752 N= 168	r = .134* sig = .047 N=173	r = .079 sig = .301 N=174	r = -.053 sig = .482 N=174	r = .179* sig = .037 N=174
SEZ	r = -.047 sig = .535 N=173	r = .148* sig = .041 N= 168	r = .109* sig = .018 N=173	r = .092 sig = .225 N=174	r = .085 sig = .262 N=174	r = -.048 sig = .526 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

So we find that, the factor “Economic Multiplier” has significant relationship with the subjective performance of the firms with respect to sales revenue, profit after tax, export volume and rejection rate as for every item the significance level comes to be <.05.

The above table also shows us that, the factor “Resource Multiplier” has a significant relationship with the subjective performance of the firms with respect to export volume and repeat customers as for each of these cases the significance level comes to be <.05.

We also observe that, the factor SEZ has a significant relationship with the subjective performance of the firms with respect to profit after tax and export volume as for these cases the significance level comes to be <.05.

4.7 Findings with respect to Government support:

Data collected from the sample firms reveal the areas where they feel the government has really facilitated in their export business and also the areas where they demand immediate relief. The following tables come up with the facts:

Table 4.194: *Areas where Government support has been beneficial*

Area of Intervention	No. of firms
Water Supply	42
Good schemes related to duty drawbacks	93
Others (viz. subsidy, import duty, electricity bill, infrastructure etc.)	39

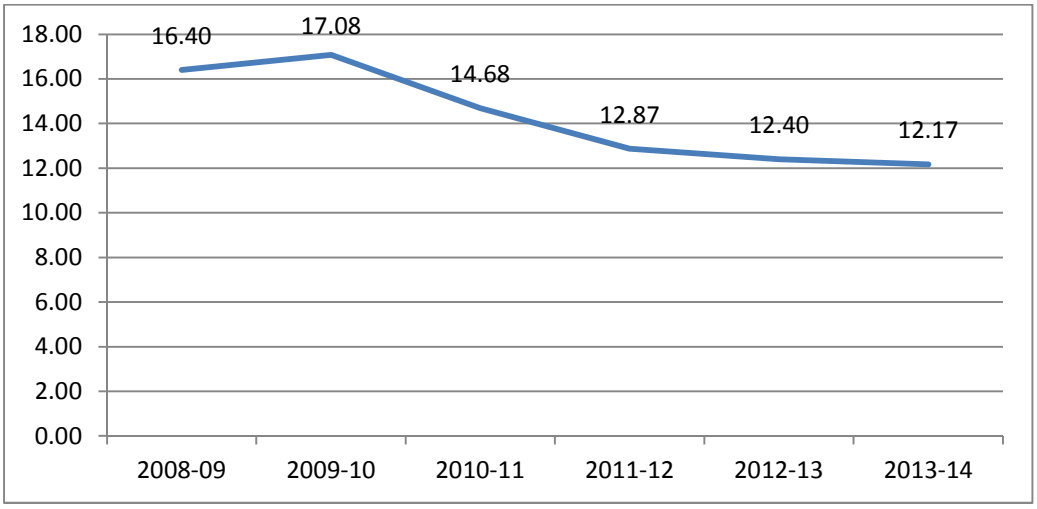
Table 4.195: *Areas where Government support is immediately required*

Area of Intervention	No. of firms
Power Supply	63
Raw material availability	45
Training for workers	27
Others (viz. design studios, infrastructure, export tax, buyer interaction etc.)	39

The study also proposed to explore whether the imports of raw hides had actually come down in the leather footwear manufacturing units following the increase of the export duty on raw hides & skins and also semi-processed leathers to 60%. This measure was taken by the Director General of Foreign Trade in 2009 so as to check the raw material shortage in the country.

The survey conducted for this research, collected data on the amount of imports of raw hides and semi processed leathers from the sample firms for the years 2008-09 to 2013-14. The average import amount (given in %) for the said years are depicted in the following figure:

Figure 4.6: ***Average import of raw leather by sample firms (2008 – 2014)***



From the above figure it is observed that the import of raw hide and processed leather by the sample firms from 2008-09 till 2013-14 had come done, though in a very gradual mode.

4.8 Findings with respect to global issues:

The research had studied global issues in terms of the change in international demand from the importing countries and the international competition faced by India from China and Vietnam in terms of trade agreements, duty and taxes and raw leather endowment.

1) International demand: It has been observed that the world import for leather footwear has increased from 44,885,032 million US dollars in 2007

to 57,988,441 million US dollars in 2014. This shows that the world demand for leather footwear as a product is steadily on the rise and it is estimated to increase further with the coming years.

The table below shows the share of Indian exports with the leading importers, in comparison to the Asian competitors.

Table 4.196: ***Export % of India, China and Vietnam to leading importers***

HS 6403 (Importers)	2012 % imported by the importer from the exporting country		
	India	China	Vietnam
USA	2.11	63.27	9.65
Germany	6.53	13.01	11.96
France	5.01	11.35	8.08
UK	10.69	18.46	10.01
Japan	1.09	21.52	10.49
Italy	4.92	12.9	3.9
HK	0.4	74.86	5.99
Russia	1.65	44.01	5.99
Netherlands	3.33	12.24	6.45
Belgium	3.2	13.14	4.81
Spain	9.59	21.05	11
Canada	1.91	58.52	9.2
Korea	0.66	40.33	18.02
China	2.61	NA	16.26
Australia	2.79	61.94	6.02
Austria	5.87	9.88	7.43
Switzerland	3.2	11.72	13.22

Source: Trade Map - http://www.trademap.org

The above data shows us that the share of the Indian exporters is far too less than its Asian counterparts for almost every importing country. Hence by looking at the growing demand for leather footwear internationally and then comparing the share of Indian export to its competitors, it can be concluded that relatively there is a dearth in demand for the Indian leather footwear and not otherwise.

2) Trade agreement: These agreements are the negotiations between two or more sovereign nations that dictate the terms of the acceptable exchange

of goods and services between the parties. The WTO itself recognizes that regional trade agreements and free trade agreements (FTA's) can actually support the WTO's multilateral trading system by allowing groups of countries to negotiate trade rules and commitments and thus gain economic benefits. The table below shows the different trade agreements emerging between India, China and Vietnam with the traditional as well as emerging importers of leather footwear.

Table 4.197: ***Trade Agreements of India, China and Vietnam with leather footwear importers***

Importing Nations	India	China	Vietnam
USA	N/A	N/A	Bilateral Trade Agreement (BTA) (2001)
Canada	Negotiations for FTA going on	Foreign Investment promotion and protection agreement (FIPA) (2012)	1) BTA 2) Agreement on the Avoidance of Double Taxation (DTA)
EU	1) Negotiations for FTA going on 2) GSP tariff rate	N/A	1) Negotiations for FTA going on 2) Partnership & Co-operation agreement (PCA) (2010)
Japan	1) Negotiations for FTA going on 2) COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (CEPA)	N/A	1) FTA (2008) 2) Japan – Vietnam Economic Partnership Agreement (JVEPA) (2009)
South Korea	Negotiations for CEPA	Negotiations for FTA	Negotiations for FTA (final stage)
Hong Kong	Negotiations for Bilateral Investment Promotion & Protection Agreement (BIPA) and DTA going on	1) CEPA (2011) 2) Negotiations for FTA going on	N/A

Russia	1) BTA (1012) 2) Negotiations for FTA and CEPA going on	N/A	Negotiations for FTA
Switzerland	Negotiations for BTA going on	Negotiations for FTA going on	Negotiations for FTA going on
Australia	Negotiations for Comprehensive Economic Cooperation Agreement (CECA) going on	Negotiations for FTA going on	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
New Zealand	Negotiations for FTA and CECA going on	FTA (2011)	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
Egypt	N/A	Bilateral Investment Promotion & Protection Agreement (BIPA) and DTA	BTA

Source: http://commerce.nic.in/MOC/index.asp, http://fta.mofcom.gov.cn/,http://trade.ec.europa.eu/doclib/docs/2015/august/tradoc_153674.pdf, http://vietnam.usembassy.gov/econ12.html

The free trade agreements and bilateral trade agreements signed by various competing countries with the western and regional markets provide an easy market access for their exports of leather products. It becomes vivid from the above table that Vietnam is far ahead of India in these forms of trade agreements and thus explains the nation's huge progression in the export of leather products. The bilateral trade agreement with the US has helped Vietnam in gaining strategic access to the world's largest importer for leather footwear. India too has started negotiating in various free trade agreements in the recent past. However, it still does not enjoy any form of preferential access to the major import markets like the US and the EU. Also, Vietnam had already tapped and is into trade agreements with some emerging markets for leather footwear like Australia, New Zealand, Japan, Egypt etc.; where India is still lagging behind.

3) Duty and taxes: A number of nations have introduced several beneficial schemes for their exporters to make them competitive in the global market. However, the types of incentives offered by competing countries are comparatively higher than that offered by India. China offers its exporters full rebate of excise duties, high rebate rates for VAT, exemption of import tariffs and refund of local income tax, amongst several other incentives. Vietnam provides several incentives to foreign and domestic enterprises such as tax holidays, lower income tax, refund of import duties, duty free import of machinery, etc. In contrast, export incentives provided in India are mainly in the form of duty drawback, duty credit for exports to focused markets and duty free imports of inputs (Article by Third World Network).The Indian footwear exporters have to pay 12.5 percent VAT and 10 percent Central Excise Duty, which is paid at the exit door of the manufacturer. One of the studies by ICRA Management Consulting Services limited, 2008 (on behalf of CLE), shows that India has a cost disadvantage to the extent of 15-16% vis-a-vis China mostly because of trade taxes in this sector.

4) Raw Leather endowment: The leather industry in India is bestowed with an affluence of raw materials as the country has an endowment of 21% of world cattle & buffalo and 11% of world goat & sheep population (Facts and Figures,2013-14,CLE).The tables below projects the different forms of raw leather endowment present in India as compared to China and Vietnam.

Table 4.198: ***Production of Bovine hides and skin in India, China and Vietnam***

PRODUCTION OF BOVINE HIDES AND SKINS (million pieces)								
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
China	44.1	44.5	43.7	44.5	46.1	47.3	46.3	46.2
India	39.4	40.1	40.8	41.6	42.3	43.1	43.1	43.1
Vietnam	1.3	1.4	1.7	1.8	2.0	2.1	2.1	2.2

Source: World Statistical Compendium for raw hides and skins, leather and leather footwear

Table 4.199: *Production of sheepskins and lambskins in India & China*

PRODUCTION OF SHEEPSKINS AND LAMBSKINS (million pieces)								
Year	2005	2006	2007	2008	2009	2010	2011	2012
China	121.6	129.2	127.7	130.7	118.3	123.3	120.6	122.5
India	33.2	34.4	35.8	36.2	36.6	37.0	37.0	37.0

Source: World Statistical Compendium for raw hides and skins, leather and leather footwear

Table 4.200: *Production of goatskins and kidskins in India &China*

PRODUCTION OF GOATSKINS AND KIDSKINS (million pieces)								
Year	2005	2006	2007	2008	2009	2010	2011	2012
China	130.9	130.2	128.2	131.1	149.2	137.1	134.9	137.1
India	76.3	78.7	81.1	83.7	86.0	88.9	88.9	88.9

Source: World Statistical Compendium for raw hides and skins, leather and leather footwear

It is found that in case of bovine skins India is almost at par with China, with Vietnam being far behind. For goatskins and kidskins, though India was ahead of China during 1980's, at present it is lagging behind. As far as sheepskins and lambskins are concerned, India lies far behind of China. Hence there exists a mismatch between the raw material endowment and the raw material production in India. A report of the Council for Leather Research in India (CLRI), based on the 'All India Survey of Hides and Skins' stated that, annually, about 9 million hides and an equal number of skins were lost due to non-recovery from carcasses in far flung villages.

4.9 Summary Tables

Table 4.201: *Summary of descriptive statistics*

Descriptive Statistics	
Demography:	
Centre	• 75 firms from Agra • 66 firms from Kanpur • 21 firms from Ambur • 12 firms from Ranipet
Age	• Average = 11 years • S.D = 6.39 years
Export Strategy	• Average direct export % = 97% • S.D = 15.52
Ownership Pattern	• Highest : Private Ltd. (73) • Least: Public Ltd. (2)
Production subsidy, elsewhere	• No for 171 firms • Yes for 3 firms (all Kanpur)
Mechanization status	• Fully mechanized: 93 firms • Semi mechanized: 81 firms
Performance:	
Sales Revenue (in Rs)	• Average = 198664739
Profit After Tax (in Rs)	• Average = 23779166
Export Volume (pair of shoes)	• Average = 297156
Rejection Rate (no. of containers)	• Average = .17
Delivery Speed (in days)	• Average = 45.18
Repeat Customer (in %)	• Average = 81.34
Internal Factors:	
Place (Export Destinations) (in %)	• Average Traditional Market reach = 72.58% • Average Emerging market reach = 27.42%
Price Competitiveness	• 36% feels they are better than the competitors • 16% feels they are not as good as competitors
Product Segment	• Highest export: Men's segment (62.07%)
Promotional Activities	Average presence: (Mode) • Active participation in trade fairs: Absent • News releases: Absent • Company Brochure: Absent • Company Website: Present

	• Training for Business development: Absent
Competitive Priority	Average Rating • Product Quality: 3.66 • Timely Delivery: 4.18 • Labour Productivity: 4.02
Cost Structure (in %)	• Average Highest cost component: Raw materials (21.38%) and labour wages (21.30%) • Average Least cost component: Import duty on components (6.08%)
Procurement of Import	• Average import procurement of machines : 51.31% • Average import of raw leather: 10.74%
Investment priorities	• Average Highest rank: Automation of processes • Average least rank: Market Research
Physical Infrastructure (most critical)	• Average highest rank: Power • Average least rank: Water supply and waste mgmt.
Physical Infrastructure (facing problems)	• Average highest rank: Power • Average least rank: Water supply and waste mgmt.
Support Infrastructure (most critical)	• Average highest rank: Materials market • Average least rank: Testing laboratories
Support Infrastructure (facing problems)	• Average highest rank: Materials market • Average least rank: Testing laboratories
Horizontal Cluster	For all the components the average score for their presence lies between somewhat agree and Disagreement
Vertical Cluster	For all the components the average score for their presence lies between somewhat agree and Disagreement
Institutes supporting Cluster	• Average Highest rating: CLE • Average least rating: AISHTMA

Table 4.202: *Summary of Study 1*

Study 1: Studying the Performance of the exporting leather footwear SME firms	
$H_0$1: There is no significant relationship between Subjective performance and the Objective performance of the firms.	**Rejected**

Significant positive correlation has been found between the objective and subjective measures of performance which defends the fairness of the performance constructs.

Table 4.203: *Summary of Study 2*

Study 2: Demography of the exporting leather footwear SME firms and its relation with performance
$H_0$2: Demography of the exporting leather footwear SMEs has no impact on the Objective performance of the firms. **$H_0$3: Demography of the exporting leather footwear SMEs has no impact on the Subjective performance of the firms.**
$H_0$2.1:There is no significant difference in the mean objective performance of the exporting SME firms across ownership patterns **$H_0$3.1: There is no significant difference in the mean subjective performance of the exporting SME firms across ownership patterns** After accepting the alternative hypothesis, the association which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest are considered as inconclusive) • **Ownership pattern and repeat customers**
$H_0$2.2: Age of the firm has no significant relation with its objective performance **$H_0$3.2: Age of the firm has no significant relation with its subjective performance** After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive) • **Age with sales revenue, export volume and rejection rate of the exporting firms**
$H_0$2.3: There is no significant difference in the mean objective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

$H_0$3.3: There is no significant difference in the mean subjective performance between the exporting SME firms where production subsidiary is present and firms where it is absent

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Production subsidiary with delivery speed and repeat customers**

$H_0$2.4: There is no significant difference in the mean objective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

$H_0$3.4: There is no significant difference in the mean subjective performance between fully mechanized exporting SME firms and semi mechanized exporting SME firms

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Mechanization status with delivery speed and repeat customers**

Table 4.204: *Summary of Study 3*

Study 3: Internal factors related to the performance of the exporting leather footwear SME firms
$H_0$4: Internal factors have no significant impact on the Objective performance of the leather footwear exporting SMEs. **$H_0$5: Internal factors have no significant impact on the Subjective performance of the leather footwear exporting SMEs.**
$H_0$4.1: Spreading out to emerging markets has no significant relation with the objective performance of the firms. **$H_0$5.1: Spreading out to emerging markets has no significant relation with the subjective performance of the firms.** After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive) • **Spreading out to emerging markets and sales revenue (negative relation, as value of r is negative)**
$H_0$4.2: The product category (ladies segment) has no significant relation with the objective performance of a firm. **$H_0$5.2: The product category (ladies segment) has no significant relation with the subjective performance of a firm.** After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive) • **Product segment (ladies segment) with sales revenue, export volume, delivery speed and repeat customer**
$H_0$4.3: There is no significant difference in the mean objective

performance of the exporting SME firms across levels of price competitiveness

$H_0$5.3: There is no significant difference in the mean subjective performance of the exporting SME firms across levels of price competitiveness

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Price competitiveness and profit after tax**

$H_0$4.4: There is no significant difference in the mean objective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

$H_0$5.4: There is no significant difference in the mean subjective performance between the exporting SME firms where promotional activities are present and exporting SME firms where promotional activities are absent

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Participation in trade fairs as a promotional activity with sales revenue and profit after tax**
- **News release as a promotional activity with sales revenue, profit after tax and repeat customer**
- **Presence of company website as a promotional activity with sales revenue**
- **Presence of company brochure as a promotional activity with repeat**

customers

- **Training for BD as a promotional activity with profit after tax and repeat customers**

$H_0$4.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the objective performance of the exporting firms.

$H_0$5.5: The competitive priorities with respect to product quality, timely delivery and labour productivity have no significant relation with the subjective performance of the exporting firms.

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Product quality as a competitive priority with delivery speed and repeat customer**
- **Labour productivity as a competitive priority with profit after tax**

$H_0$4.6: Different cost components have no significant relation with the objective performance of the exporting firms.

$H_0$5.6: Different cost components have no significant relation with the subjective performance of the exporting firms.

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Duty on leather as a cost component with repeat customer**
- **Duty on components as a cost component with profit after tax and repeat customers**
- **Labour wage as a cost component with sales revenue, profit after tax,**

export volume and rejection rate

- **Logistic and transportation cost with sales revenue and profit after tax**

$H_0$4.8: There is no significant difference in the mean objective performance of the exporting SME firms across different investment priorities

$H_0$5.8: There is no significant difference in the mean subjective performance of the exporting SME firms across different investment priorities

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **Investment in Automation of processes with repeat customer**
- **Investment in IT with sales revenue, profit after tax, export volume, rejection rate and repeat customer**
- **Investment in market research with repeat customer**
- **Investment in product design with repeat customer**
- **Investment in promotional activities with repeat customer**
- **Investment in quality control with repeat customer**
- **Investment behind training of employees with repeat customers**

Table 4.205: *Summary of Study 4*

Study 4: External factors related to the performance of the exporting leather footwear SME firms
$H_0$6: External factors have no significant impact on the Objective performance of the exporting firms.
$H_0$6.1: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of physical infrastructure **$H_0$7.1: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of physical infrastructure** After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive) • **Power as a physical infrastructure with sales revenue** • **Solid waste management as a physical infrastructure with repeat customer** • **Logistics and transportation as a physical infrastructure with profit after tax and delivery speed**
$H_0$6.2: There is no significant difference in the mean objective performance of the exporting SME firms across different forms of support infrastructure **$H_0$7.2: There is no significant difference in the mean subjective performance of the exporting SME firms across different forms of support infrastructure** After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and

subjective measures of performance are: (rest are considered as inconclusive)

- **Testing laboratory as a support infrastructure with repeat customer**
- **Tanneries as a support infrastructure with sales revenue**
- **Materials market as a support infrastructure with sales revenue, export volume and delivery speed**
- **Design studio as a support infrastructure with sales revenue**

$H_0$6.3a: Horizontal clustering between firms has no significant relation with the objective performance of the exporting firms.

$H_0$7.3a: Horizontal clustering between firms has no significant relation with the subjective performance of the exporting firms.

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **The factor "supply chain efficiency" of horizontal clustering with sales revenue, delivery speed and repeat customer**
- **The factor "economic leverage" of horizontal clustering with repeat customer**

$H_0$6.3b: Vertical clustering facilities as provided by the government have no significant relation with the objective performance of the exporting firms.

$H_0$7.3b: Vertical clustering facilities as provided by the government have no significant relation with the subjective performance of exporting firms.

After accepting the alternative hypothesis, the associations which come up as conclusive, i.e. having significant relationship with both objective and subjective measures of performance are: (rest are considered as inconclusive)

- **The factor "economic multiplier" of vertical clustering with no measures of performance**
- **The factor "resource multiplier" of vertical clustering with export volume and repeat customer**
- **The factor SEZ of vertical clustering with profit after tax and export volume**

4.10 Chapter Summary

The above discussed chapter uses diverse statistical tools to test the different hypotheses framed for the four broad studies and comes out with a number of interesting findings regarding the performance structure of the leather exporting SME firms in India and its relation with different aspects of demography, internal and external parameters.

The chapter also deals with extensive descriptive statistical outcomes, coming out from the sample in question. Also the findings related to governmental support and global competition issues have been discussed from the data collected from secondary source.

Chapter – 5

CONCLUSION & RECOMMENDATION

5. CONCLUSION AND RECOMMENDATIONS

5.1 Chapter Outline

This last chapter of the study essentially revolves around the summary of the results coming out from each of the analysis done. While doing so this section of the study discusses what it intended to find out and what were the outcomes obtained. This has been arranged in different sections with each part dealing with the different studies in question. Consequently the research work comes out with recommendations for the government and the exporting SME firms, which if taken up can increase the competitiveness of the firms in question. Finally the section deals with the scope of future researches which might come out from the current study.

5.2 Broad objective

Leather plays an important role in the export basket of India and the leather footwear sector is considered as the engine of growth for the entire Indian leather industry. As the footwear segment is valued as a significant segment of the leather industry in India; the Government has de-licensed and de-reserved the sector and has also permitted 100% Foreign Direct Investment through the automatic route for the footwear sector. It has even developed dedicated footwear clusters so as to accelerate the growth in the said sector. However, it is found that the export share of India for leather footwear hovers around 2-3% only and at the same time the share of its Asian counterparts is increasing by leaps and bounds.

Hence the principal objective of this research work was to study the performance of the exporting leather footwear SME firms and find out its relation with the demographic conditions, internal factors and external factors in which the firms thrive. A number of findings have come up with respect to each one of the broad areas and it vividly and specifically points out factors

which are largely missing among the exporting SME firms and which can effect and enhance their export performance significantly. Consequently the research work will voice in the areas where the exporting firms should immediately upgrade or rectify themselves and also the capacities where the government should intervene and act in order to bring a marked difference in the export performance in the leather footwear sector.

5.3 Study 1: Conclusion

Study 1 of the research revolves around the export performance of the leather footwear SME firms where the sole intention was to establish the objectivity between the two measures of performance, viz. objective performance and the subjective performance with respect to the different items of performance taken up. The findings show that there is significantly high positive correlation between the objective and subjective performance in terms of sales revenue, profit after tax, export volume, rejection rate, delivery speed and repeat customers. This not only verifies the objectivity of the performance of the exporting SMEs, but also displays the awareness of the exporting firms regarding their situation with different measures of performance vis-à-vis the national competition.

5.4 Study 2: Conclusion

The objective behind study 2 was to categorize demographic influence on the performance of the exporting leather footwear SME firms. The findings and the inferences drawn out are listed one by one.

1) The study finds that the ownership pattern of the exporting firms do have an effect on the export performance, measured through the percentage of repeat customers. The descriptive statistics presents the fact that firms which are private ltd. or are into partnership have a huge amount of repeat customers.

2) The research also comes out with the fact that the age of the firm influences the export performance with respect to sales revenue, export volume and rejection rate. More is the age in terms of years; greater is the export performance of the leather footwear SME firms as there is greater sales revenue, greater volumes of export and lesser percentage of rejection rates.

3) It has been observed that firms which are fully mechanized have a better delivery speed to their international customers and also have a higher percentage of repeat customers, which shows that the mechanization status of the exporting firms does result in betterment in some aspects of performance. However, it is also found that 81 SME firms (i.e. 46.5% of the sample) are still running as semi-mechanized units.

4) The next findings are with the same measures of performance, i.e. delivery speed and percentage of repeat customers and is seen being effected by the presence of production subsidiary the SME firm has. Though the sample taken up for the study shows that production subsidiary exists only for a very meagre percentage of the Indian exporting SMEs in the leather footwear sector.

5) The last finding with respect to demography shows that the export strategies taken up by the SME firms (i.e. the percentage distribution between direct exports and trading through export houses) has no significant effect on the performance as a whole.

5.5 Study 3: Conclusion

1) It has been found that the exporting SME firms still rely heavily on the ongoing traditional markets (around 72.58% of exports) and the percentage of exports done with emerging new markets is less (27.42%). However, it has also been observed that sales revenue as a performance measure has a significant negative relationship with the percentage exported to the emerging markets.

2) The fact which came out regarding the pricing strategy is that, 34.48% (60 firms out of 174) of the exporting SME firms perceive that they are not at a comfortable position with respect to their price competitiveness as either they are not as good as their foreign competitors or they are not aware about the international scenario at all. The situation is a bit alarming as price competitiveness has a significant relationship with the profit after tax of the exporting firms.

3) As far as the product segment is concerned, the Indian SME exporting firms have a huge difference between catering to the men's segment (62.07 %) and the ladies segment (26.59%). The exporters are still comfortable in producing and exporting in the men's category, whereas it is known that demand in the ladies segment across the world is larger in terms of volume as well as value. Nevertheless, a significant relationship has come out between exporting in the ladies segment with the sales revenue and repeat purchase percentage of the exporting firms.

4) It is being observed that on an average the exporting SME firms do have a company website as a promotional tool but other activities such as active participation in trade fairs, news releases, having a company brochure and providing training for business development is largely absent. On the contrary it is found that all of the above promotional activities which are largely missing among the exporting firms has significant relationship with either sales revenue or PAT or repeat customers.

5) Competitive priorities taken up by the exporting firms in order to sustain and gain competitiveness have been measured by product quality, timely delivery and labour productivity. Findings show that firms giving priority to product quality are enhancing their delivery speed and percentage of repeat customers. On the other hand, working on the improvement of labour productivity increases performance through profit after tax. Timely delivery did not seem to have any significant effect on any measure of performance.

6) The descriptive statistics reveals that, among the different cost components; the cost behind raw materials (21.38%) and labour wages (21.30%) constitute the highest share. Consequently, analysis also shows that cost behind labour has a significant impact on the sales revenue, profit after tax, export volume and also the rejection rate. Apart from this it is also observed that duty behind import of raw leather as a cost component effects percentage of repeat customers; and cost behind logistics and transportation effects sales revenue and profit after tax significantly.

7) It is found that the main things imported for the export of leather footwear to the world market by the Indian SME firms are raw leather, machineries and components; wherein the imports of machineries has come up to be the highest at around 51.31% as against domestic procurement. However the amount of imports for all the three cases has no significant relationship with any measure of performance at large.

8) While dealing with the investment priorities of the exporting firms, the analysis shows that investment behind automation of processes, quality control measures and product design are the most preferred areas; whereas investment behind IT, promotional activities and market research having the least preference. Findings also confirm that in most of the areas of investment, considered in this study, there is a significant relationship with the percentage of repeat customers for the exporting firms. However, investment behind IT effects almost all measures of export performance significantly, viz. sales revenue, profit after tax, export volume, rejection rate and percentage of repeat customers.

5.6 Study 4: Conclusion

1) The descriptive statistics on the data collected from the exporting SMEs shows that, among the physical infrastructure required in the leather footwear sector, power is felt to be the most critical factor followed by

logistics and transportation. To add to it, the findings also depict that, the problems faced by the exporting firms are mostly in case of power and logistics. Power has also been found to have a significant relationship with the sales revenue; and logistics and transportation with profit after tax and delivery speed of the exporting firms. Analysis also reveals that solid waste management, as a form of physical infrastructure, significantly affects the percentage of repeat customer for the SME firms.

2) As far as support infrastructures are concerned, the exporting firms perceive that the most critical one for them is the materials market followed by the supply of skilled manpower. Interestingly, the SME firms also feel that the majority of the problems lie in these two areas itself. However, further analysis reveals that though the presence of a strong materials market does significantly affect export performance through sales revenue, export volume and delivery speed; there is no such significant relationship of skilled manpower with export performance at large. It has also been found that existence of testing laboratories enhances the percentage of repeat customers for the exporting firms and the presence of tanneries and design studios increases the sales volume.

3) Horizontal clustering involves the competing firms, found in a specific geographic location, sharing different forms of resources amongst each other in order to become competitive as a whole. It has been observed in this study that apart from, bulk purchase of inputs done together by firms in order to get discounts and establishing joint shops to retail finish goods; other forms of horizontal clustering which has been measured through: sharing of bulk orders from customers, sharing market leads, collective learning environment for process innovation and product design innovation, collective investments in machineries and revolving funds circulating amongst firms is not vastly present in the leather footwear SME segment. Nevertheless is has been also found out that sharing of bulk orders, market leads and revolving funds (called as the factor “economic leverage”) amongst the competing firms can actually

affect the export performance together as it gives rise to economies of scale within the sector. Also it has been observed that collective learning environment for process innovation and product design innovation, collective investments in machineries and bulk purchase of raw materials by the firms together called as “supply chain efficiency” affects the sales revenue and percentage of repeat customers for individual firms.

4) With regards to vertical clustering it has been witnessed that the exporting SME firms acknowledge the presence of the following spaces in India: common raw material supply center in the vicinity, common loan authorizing center, development of sector specific human resource skills, proximity of common facilities (like effluent treatment plant, testing laboratories) and SEZ’s. These capacities with respect to vertical clustering is absolutely necessary as the study finds that common raw material supply center and development of sector specific human resource skills together (called as resource multiplier) affects the export volume and percentage of repeat customers for individual firms. Also the presence of SEZ’s makes a difference in the profit and export volumes of single firms.

5) As far as the institutional backing to the clusters of the exporting leather footwear SMEs are concerned, it has been observed that firms feel that institutes like CLE and FDDI has really offered support and it becomes vivid in its relationship with the percentage of repeat customers a firm enjoys. However none of the institutes have got a rating exceeding 3.5, with the ratings for DIC’s and AISHTMA being too low.

6) The research wished to explore the support of the government to the leather footwear sector in preserving the raw material depletion (raw leather) by imposing a high export duty on it. It was found that the import percentage of raw hides and skins have gradually come down among the exporting SME leather footwear firms, displaying that the governments support had actually been beneficial. Findings from the sample also shows that the exporting firms feel that they have been benefitted in the

areas of water supply and good schemes regarding duty drawback from the government. However, their appeal to the government is to intervene and bring relief in power supply, availability of raw materials and training of workers.

7) The areas of global issues which have been dealt with in this study come out with couple of interesting findings. It has been observed that though the demand for leather footwear internationally is growing there is a dearth in demand for the Indian leather footwear and not otherwise. Also, India neither enjoys any form of preferential access in terms of trade agreements to the major import markets like the US and the EU; nor does it have any trade treaties with the emerging markets at present. Competitor nations like Vietnam is far ahead in this matter and it even shows the way in which it is marching ahead in its exports. However, the Indian government is negotiating for free trade agreements and bilateral trade agreements with a number of countries. Lastly, there is a huge gap between the raw leather endowment and raw leather production in the country which forces the exporters to depend upon import of the said product.

5.7 Recommendations

The suggestions directly come up from the findings and are recommended for the government as well as the exporting SME firms in order to accelerate their export performance.

5.7a With respect to demography:

- It has been found that the firms which are private ltd. or are into partnership have a huge amount of repeat customers. So it is observed that this industry requires a reasonable amount of synergy and teamwork going behind its export performance in terms of generating repeat

customers. Hence the above two models of ownership should be encouraged for firms where the ownership pattern is of proprietorship. Also the public ltd. companies should have a committed leadership team for this activity.

- Since it is found that age of the firm affects its sales revenue, export volume and rejection handling capability, it is clearly visible that depth of experience contributes to export performance. Therefore it is desirable that that there should exist a well-planned process of knowledge sharing between the experienced firms and younger ones. This can only be achieved if the government creates a suitable environment for horizontal clustering between competing firms in a particular cluster.

- It is found that fully mechanized firms have an improved delivery speed and also for them the percentage of repeat customers is higher. However, a lot many exporting SMEs have still not reached that status and are operating as semi mechanized firms. Consequently it is the duty of the government to provide ample support by creating a dedicated cell to assist the footwear exporting firms on how to gradually move into low cost automation. The government should also come up with beneficial schemes so that importing of relevant machineries becomes easy and reduces the investment cost behind mechanization for the exporting firms.

- Findings suggest that presence of production subsidiary for the exporting leather footwear SME firms does enhance their deliver speed and also the percentage of repeat customers. Hence the government should extend their help in the relative expansion of the SME firms by creating necessary infrastructure for the development of subsidiaries. This would not only help the firms in expansion but also give them an opportunity for diversification wherever necessary.

5.7b With respect to internal factors:

- Findings show that sales revenue as an export performance measure has a significant negative relation with the percentage of exports done in the emerging markets. This depicts the fact that greater a firm's concentration of export sales in fewer foreign markets, greater is its export performance. Hence in case of these leather footwear exporting SME firms, market concentration is better than market diversification. This also brings hold the fact that the percentage of repeat customers a firm obtains is then a very important factor for its export performance. Therefore firms must cater to different strategies which help them to increase the percentage of their repeat customers and also to generate new customers from the traditional markets itself.

- Price competitiveness, as has been found out, has a significant relation with the export performance of the SME firms with respect to profit after tax. Hence it becomes an absolute necessity for these exporting firms to become conscious of their competitors pricing strategy and develop their own on the basis of the gathered information. This would even help them to retain existing customers from the traditional markets. It is also the duty of the institutes working in the clusters to gather relevant information on price competitiveness and make the SME exporting firms aware.

- It has been observed that catering to the ladies segment not only enhances the sales revenue of the exporting firms but also increases their percentage of repeat customers. As a consequence it is advisable for the exporting firms to develop an appropriate product strategy so that they can supply to the segment which has the highest demand and in turn enhance their export performance. The firms often state that catering to the ladies segment is more challenging both in terms of quality and product design. This immediately calls for the government to intervene and create infrastructure such that the exporting firms can rise above these impediments and start exporting more in the ladies segment.

- Results show promotional tools such as active participation in trade fairs, news releases, having a company brochure and providing training for business development does enhance the export performance of the SME firms in terms of their sales revenue, profit after tax and percentage of repeat customers. A huge amount of hand holding from the government is required in this respect as the SME firms, being a way behind in terms of managerial skills, are not even aware of the benefits coming up through these promotional activities. So the role of the government here is twofold: creating awareness and also helping out in implementing those processes.

- The findings readily suggest that the exporting firms should prioritize and look into their product quality and labour productivity so as to enhance their delivery speed, percentage of repeat customers and profit after tax. The government along with private / public institutes can build up vertical clustering activities so as to help the firms in refining their product quality and labour productivity. Through vertical clustering the government can come up with high quality common effluent treatment plants, common laboratories etc. which would give a boost in the product quality of the firms. Also, the government should strengthen the quality certification process and make it an absolute compulsion for the exporting firms to comply with every mandatory and voluntary requirement of quality every individual importing nation requires.

  Labour productivity can be enhanced by three different interventions; first by bringing in full automation or mechanization in the exporting firms by the government (as discussed before), second by establishing common training institutes for human resource skill development by the government through vertical clustering and lastly to chalk out different beneficial and constructive schemes for the welfare of the employees by the exporting firms itself.

- The findings behind the cost components brings out the areas where the government has to play an active role in order to make changes and help

the exporting SME firms of the leather footwear sector to improve their performance. The most crucial cost component coming out to affect performance and one of the highest contributors is labour wages. This is followed by duty behind raw leather import and cost behind transportation and logistics.

The exporting firms often complain about the rising cost behind labour which they feel is due to the fact that there is a gradual decline in the supply of skilled labour in the footwear sector. The government can actually intercede and create large number of training institutes for developing sector specific skilled labour, such that there is an increase in the supply as well as the efficiency in the labour force.

At present the duty rate imposed for raw hides and skin is 10% in India Vis a Vis 6% in China. Accordingly the government can think of modifying the duty rates so that cost behind importing raw hides and skin for the exporting SMEs does not affect its export performance.

As far as the logistics cost is concerned, the government should predominantly look into the infrastructure of the country. According to the World bank Logistics Report 2007, the main reason for high logistics cost in India is due to the poor quality of infrastructure which includes roads, power system, ports, delivery supply chain etc. Also the clearance time in ports and other border agencies is much higher than competitors. The report states that the average clearance time in ports is 3.47 days in India as against 16 hours in China. To add to this arise the delays in customs clearance and inland transportation. Hence it clearly comes out where all the government has to play its part. It is advisable that there should emerge strong private public partnership in each one of the constraint areas with a proper deliverable project plan. The government should also develop dedicated export corridors for leather and leather footwear sector.

- Conclusions drawn from the analysis related to investment priorities, reveals that the areas where investments are not being done properly,

even when they are significantly affecting the export performance of the SME firms are IT, promotional activities and market research.

Moving on to the digital age, it is the responsibility of the government to hand hold the SME exporting firms so that they do not fall behind the global digital bandwagon. This calls for creating technology parks and providing common IT infrastructure through vertical clustering activities. Frequent workshops should be held to make the firms aware about the benefits of information technology and its influence on export performance.

As already discussed, promotional activities play a major role in the export performance of the SME firms and hence investment behind promotion is nevertheless an important strategy. Also, investment behind market research provides the exporting firms with ample relevant information which would help them to frame suitable marketing policies. Henceforth, the main support which the government should provide is to make the exporting firms aware about the benefits accruing from market research and promotional activities.

The above findings as a whole demonstrate the lack of planned marketing strategies implemented by the leather footwear exporting firms and that the organizations mostly run on trial and error strategies. This needs immediate intervention. The study thereby suggests that the Ministry of SMEs, along with the support institutes like CLE, CFTI, DIC and universities should hold regular workshops for these SMEs so that they become aware and well educated on marketing planning and implementation. These measures are expected to improve the managerial skills in SMEs and thereby result in improved performance through the adoption of well-planned marketing mix strategies.

5.7c With respect to external factors

- Findings related to physical infrastructure showed that power and logistics were the main pain areas; whereas both of them affect the export performance significantly. A report by Deloitte in 2009 comes out with the fact that Indian companies loose around 8.4% on sales in a year as against less than 2% in China. This study has also confirmed the fact that power as an infrastructure significantly affects the sales revenue of the exporting firms.

  Also, the Logistics Performance Index (LPI), given by the World Bank Logistic Report of 2014 ranks China's infrastructure higher than India in all the sub-sectors such as water supply, power, logistics etc.; with China in the 28^{th} rank (LPI=3.53) and India in the 54^{th} rank (LPI=3.08).

  Hence it clearly comes out that the government should immediately act in these two areas to curb the hindrance created in export performance. Special power generation capacity and distinct allocation of the same should be created for the exporting leather footwear SME sector.

- It is found that, among the support infrastructures, the most critical and also a challenging area is the materials market as it affects the export performance to a large extent. In fact one of the literatures regarding the footwear industry in India in the year 2004 (ICRA advisory services on behalf of CLE) had also come out with a similar finding. However, even in the year of 2014 there seems to have been no initiative taken in this regard. The government's role in this case should be to provide a strong connected materials market in the vicinity of the leather footwear clusters and also work on the duty rates of the imports of these components. Also as far as support infrastructure is concerned, the government should also work intensely on the development of good standard of tanneries and testing plants in order to enrich the product quality of the SME firms and hence increase their export performance in turn.

- The above findings indicate that though vertical clustering activities are present for the exporting SMEs in the leather footwear segment, the aspects of horizontal clustering activities and the support institutes have to really gear up to create competitiveness in the sector as most of them can truly bring about positive changes in the export performance. This requires immense handholding from the government and private institutes to not only create an environment for horizontal clustering activities but also to promote and educate the SME firms of its benefits. To improve the institutional support and environment, the government, along with private players, should frame short term and long terms goals for them and should also build a culture of inter-institutional working where they take direct role in local capacity building and project completion of the exporting firms.

- Though it has been found that the import of raw leather has come down gradually over the years with the government levying a high export duty on the raw leather export, it is also the duty of the government to come out with policies so that proper utilization of this raw leather can be made domestically within the leather footwear sector. This would also benefit in solving the problem of availability of raw materials, which the firms feel the government should help in.

- The findings pertaining to the global issues directly points to the lack of government support in India as compared to the south eastern competitors. The dearth of demand for the Indian leather footwear as against China and Vietnam can be explained with the other findings which has emerged in this research, viz. product quality, problems in logistics and transportation, lack if IT and mechanization, absence of proper promotional activities etc. Hence, in order to tackle the problem of limited demand for the Indian leather footwear, the above issues needs to be looked into immediately.

  Also, apart from the negotiations with different importing markets for FTA or BTA, the government should also make an in-depth study of the

export tax structure of competitor nations and come up with a new refined tax regime for the benefits of the leather footwear exporters. The All India Footwear Association claims that the MRP of the footwear goes up by 15% due to the Indian tax system. The association claims that a refined tax structure will definitely increase the export business in leather footwear.

Lastly, it has been found that the huge raw material endowment which the leather sector of India possesses is not being utilized optimally. Huge amount of hides and skins are lost because of the absence of an organized supply chain system in the leather sector. The government and the support institutes should come up with a well-established and structured network of butchers, animal breeders, small and big traders, agents, tanneries and major markets across the country. This should be achieved through vertical clustering activities wherein a strong backward linkage is established.

It has been observed that a number of recommendations regarding several factors encourage the government to come up with robust clustering activities in order to boost up the export performance. The government is strongly recommended to gear up with different vertical clustering processes through which issues such as product quality, mechanization of firms, labour productivity, awareness regarding market research and marketing strategies, technology parks for IT development etc. will get aided, which in turn will bring in improvement in the performance of the exporting SME firms.

Lastly, a coordinated industrial policy with respect to different clustering activities should come up in order to support and make the SME export sector in the leather footwear segment competitive.

It has come out from a number of literatures that China had mastered itself in the export of leather footwear by reaping the benefits of economies of scale which emerged from diverse yet strong clustering activities.

The overall findings suggest that, the export performance of India is caught up with a number of supply side constraints coming out from different demographic structure of the firms and various internal and external factors in which the firms strive. It has been observed that majority of the constraints coming up can be cured through robust vertical clustering efforts from the governments side, with the help of the support institutes; thus creating external economies of scale for the firms. Along with it should co-exist the presence of different horizontal clustering activities wherein the firms share their knowledge and resources amongst each other and accordingly in some way add to their internal economies of scale. This will jointly pull up the competitiveness of the firms and create a huge impact in the export performance.

5.8 Scope for Future Research

The space for future research coming out of this present research work can be discussed from two different perspectives.

Different measures of performance:

The present study reached the final conclusions regarding the relationships, between different issues (demographic, internal and external factors) and export performance wherein the association has come out to be significant for both objective and subjective measures of performance. Other findings related to relationships were considered to be inconclusive amongst the Indian SME leather footwear exporters as the association had emerged only with one measure of performance, i.e. either objective or subjective.

Future research may take up similar factors present in the leather footwear sector to study their relationship with the export performance; however a different measure of performance can be looked into to handle these inconclusive findings.

Deep down coverage:

Future research can even choose certain aspects coming out from the findings and carry out a detailed study so as to develop constructive decisions and suggestions for the government to implement. Some of them are discussed below:

- The most important area seems to be the integrated working of different vertical clustering activities with relation to product quality, labour productivity, materials market, well equipped tanneries and the like. The future research can deeply study the way vertical clustering has been adopted and implemented in different countries for the SME sector and develop a model for the leather footwear sector that deems fit for our own country.
- Another scope which comes out and goes hand in hand with the former matter is to work on the improvement in the working space of the support institutes in the cluster and frame out how the public and private sector in this area can work in an integrated way.
- One observation which has truly emerged to be very imperative in this digital age is the significant relationship between investment behind IT and most of the measures of performance. To add to it, surprisingly the firms have ranked investment behind IT to be one of the less preferred areas. Hence this area really needs to be cultivated in the forthcoming studies so as to find out all the spaces where IT can be used expansively in the leather footwear export sector and also how technology parks can help the firms in this matter.
- Future research can also crop up in the area of logistics and transportation involved in the leather footwear exporting sector as both in terms of cost and physical infrastructure this area has emerged to be the area of concern. The study can work out on how the cost related to logistics can actually be minimized and also on the development plan for a dedicated export corridor for leather and leather footwear products.

- The next item which has come out to be very crucial is the investment behind promotion and also the different forms of promotional activities which effects export performance considerably. Hence further research should definitely be carried out in this scope to frame out different promotional plans for the firms and also how to make them aware of these activities.
- Last but not the least, a study can come up to find how a suitable network between butchers, animal breeders, small and big traders, agents, tanneries and major markets can be developed with the help of the government and the support institutes, so that the rich leather endowment of India can be optimally utilized in the leather footwear sector.

5.9 Summary of Recommendations provided:

Table 5.1: ***Summary of Recommendations provided***

Parameter	Recommendations
Ownership pattern of the exporting firms	Private Ltd. and Partnership models of ownership should be encouraged for firms where the ownership pattern is of proprietorship. Also the public ltd. companies should have a committed leadership team to look after the percentage of repeat customers.
Age of the exporting firms	Since the depth of experience contributes to export performance, therefore it is desirable that that there should exist a well-planned process of knowledge sharing between the experienced firms and younger ones. This can only be achieved if the government creates a suitable environment for horizontal clustering between competing firms in a particular cluster.
Mechanization status of the exporting firms	Government should provide ample support by creating a dedicated cell to assist the footwear exporting firms on how to gradually move into low cost automation. The government should also come up with beneficial schemes so that importing of relevant machineries becomes easy and reduces the investment cost behind mechanization.
Presence of production subsidiary	Government should extend their help in the relative expansion of the SME firms by creating necessary infrastructure for the development of subsidiaries. This would not only help the firms in expansion but also give them an opportunity for diversification wherever

	necessary.
Place (Export destinations)	In case of these leather footwear exporting SME firms, market concentration is better than market diversification. Therefore firms must cater to different strategies which help them to increase the percentage of their repeat customers and also generate new customers from the traditional markets itself.
Price Competitiveness	Absolute necessity for these exporting firms to become conscious of their competitors pricing strategy and develop their own on the basis of the gathered information. This would even help them to retain existing customers from the traditional markets. It is also the duty of the institutes working in the clusters to gather relevant information on price competitiveness and make the SME exporting firms aware.
Product Segment	It is advisable for the exporting firms to develop an appropriate product strategy so that they can supply more to the ladies segment which has the highest demand. The firms often state that catering to the ladies segment is more challenging both in terms of quality and product design. This immediately calls for the government to intervene and create infrastructure such that the exporting firms can rise above these impediments and start exporting more in the ladies segment.
Promotional Activities	A huge amount of hand holding from the government is required in this respect as the SME firms, being a way behind in terms of managerial skills, are not even aware of the benefits coming up through promotional activities. So the role of the government here is twofold: creating awareness and also helping out in implementing those processes.
Competitive priorities in terms of product quality and labour productivity	Through vertical clustering the government can come up with high quality common effluent treatment plants, common laboratories etc. which would give a boost in the product quality of the firms. Also, the government should strengthen the quality certification process and make it an absolute compulsion for the exporting firms. Labour productivity can be enhanced by three different interventions; first by bringing in full automation or mechanization in the exporting firms by the government, second by establishing common training institutes for human resource skill development and lastly the exporting firms should chalk out different beneficial and constructive schemes for the welfare of the employees.
Different cost components (wage rate, import duty behind raw leather, cost behind logistics)	The exporting firms often complain about the rising cost behind labour. The government can actually intercede and create large number of training institutes for developing sector specific skilled labour, such that

	there is an increase in the supply as well as the efficiency in the labour force. At present the duty rate imposed for raw hides and skin is 10% in India Vis a Vis 6% in China. Accordingly the government can think of modifying the duty rates. As far as the logistics cost is concerned, the government should predominantly look into the infrastructure of the country with respect to roads, power system, ports, delivery supply chain etc. It is advisable that there should emerge strong private public partnership in each one of the constraint areas with a proper deliverable project plan. The government should also develop dedicated export corridors for leather and leather footwear sector.
Investment Priorities	Findings reveal that the areas where investments are not being done properly, even when they are significantly affecting the export performance of the SME firms are IT, promotional activities and market research. This calls for creating technology parks and providing common IT infrastructure through vertical clustering activities. Also, frequent workshops should be held to make the firms' aware about the benefits accruing from IT, market research and promotional activities.
Physical Infrastructure	Findings related to physical infrastructure showed that power and logistics were the main pain areas; whereas both of them affect the export performance significantly. Hence it clearly comes out that the government should immediately act in these two areas to curb the hindrance created in export performance. Special power generation capacity and distinct allocation of the same should be created for the exporting leather footwear SME sector.
Support Infrastructure	The most critical and also a challenging area is the materials market as it affects the export performance to a large extent. The government's role in this case should be to provide a strong connected materials market in the vicinity of the leather footwear clusters and also work on the duty rates of the imports of these components. Also as far as support infrastructure is concerned, the government should also work intensely on the development of good standard of tanneries and testing plants in order to enrich the product quality of the SME firms and hence increase their export performance in turn.
Clustering Activities	The aspects of horizontal clustering activities and the support institutes have to really gear up to create competitiveness in the sector as most of them can truly bring about positive changes in the export performance. To improve the institutional support and environment, the government, along with private

	players, should frame short term and long terms goals for them and should also build a culture of inter-institutional working where they take direct role in local capacity building and project completion of the exporting firms. The government is strongly recommended to gear up with different vertical clustering processes through which issues such as product quality, mechanization of firms, labour productivity, awareness regarding market research and marketing strategies, technology parks for IT development etc. will get aided, which in turn will bring in improvement in the performance of the exporting SME firms.
Export Duty on raw leather	Though it has been found that the import of raw leather has come down gradually over the years with the government levying a high export duty on the raw leather export, it is also the duty of the government to come out with policies so that proper utilization of this raw leather can be made domestically within the leather footwear sector. This would also benefit in solving the problem of availability of raw materials, which the firms feel the government should help in.
Global Competition	The dearth of demand for the Indian leather footwear as against China and Vietnam can be explained with the other findings which has emerged in this research, viz. product quality, problems in logistics and transportation, lack if IT and mechanization, absence of proper promotional activities etc. Hence, in order to tackle the problem of limited demand for the Indian leather footwear, the above issues needs to be looked into immediately. Also, apart from the negotiations with different importing markets for FTA or BTA, the government should also make an in-depth study of the export tax structure of competitor nations and come up with a new refined tax regime for the benefits of the leather footwear exporters Huge amount of hides and skins are lost because of the absence of an organized supply chain system in the leather sector. The government and the support institutes should come up with a well-established and structured network of butchers, animal breeders, small and big traders, agents, tanneries and major markets across the country. This should be achieved through vertical clustering activities wherein a strong backward linkage is established.

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ANNEXURES

APPENDIX I

Questionnaire

1) Type of ownership of your firm:

a) Proprietorship	b) Partnership	c) Private Ltd.	d) Public Ltd.

2) Age of the firm:

a)	1 - 3 Years	
b)	3.1 - 7 Years	
c)	7.1 - 10 Years	
d)	10.1 - 15 years	
e)	15.1 - 20 Years	
f)	>20 Years (Please specify)	

3) a) Number of other production subsidiaries (elsewhere in India) :
b) If yes, where in India:

4) Is your entire production line reliant on machineries?
(i.e. every activity in the production line is done with the help of machines)

a) Yes	b) No

5) How did you export in the year 2013-14? (Please specify the % against each option such that it adds up to 100%)

Direct Exports	
Export House	
Total	**100%**

6) a) Please give details of your sales revenue (in Rs) for the year 2013-14:

_____

b) How would you rate your firm's actual sales revenue / turnover relative to your major competitors?

a) Alarming	b) Very poor	c) Poor	d) Good	e) Very Good	f) Excellent

7) a) Please give details of your profit after tax (in Rs) for the year 2013-14: _____

b) How would you rate your firm's actual profit after tax relative to your major competitors?

a) Alarming	b) Very poor	c) Poor	d) Good	e) Very Good	f) Excellent

8) a) How many containers did you export in total in the year 2013-14: _____

b) On an average how many pairs of footwear does one container of yours hold? _____

9) How would you rate your firm's actual export volume relative to the major competitors?

a) Alarming	b) Very poor	c) Poor	d) Good	e) Very Good	f) Excellent

10) a) Please specify the number of containers rejected from the customers for the year 2013-14: _____

b) How would you rate your firm's actual rejection rate relative to the major competitors?

a) Excellent	b) Very Good	c) Good	d) Poor	e) Very Poor	f) Alarming

11) a) Please specify your average delivery speed (in days) to the buyers for the year 2013-14: _____

b) How would you rate your firm's actual delivery speed relative to the major competitors?

a) Excellent	b) Very Good	c) Good	d) Poor	e) Very Poor	f) Alarming

12) a) Please specify the % of your business from repeat customers and new customers for the year 2013-14:

Repeat customers	

New customers	
Total	**100%**

b) How would you rate your firm's strategy of acquiring repeat customers relative to the major competitors?

a) Alarming	b) Very poor	c) Poor	d) Good	e) Very Good	f) Excellent

13) Please specify the name of your export destinations along with the % exported for the year 2013-14:

Years	Market 1 (%)	Market 2 (%)	Market 3 (%)	Market 4 (%)	Market 5 (%)	Market 6 (%)
2013 – 14						

If any other, please specify:

_____

14) Please specify the percentage of export in each product segment for the year 2013-14:

Years	Ladies (%)	Men (%)	Children (%)
2013 – 14			

15) Please comment on the pricing (value for money) of your products for the year 2013-14 relative to your competitors:

a) Better than competitors
b) About the same as competitors
c) Not so good as competitors
d) Not sure

16) Please select from the following promotional activities taken up by your firm in the year 2013-14:

No.	**Promotional activities**	Yes	No
1	Active trade fair participation (8-10 per year)		
2	Presence of updated company brochure which can be readily used		
3	News releases in target destinations		
4	Presence of Company website		
5	Training to merchandisers for business development		

17) Please rate the below mentioned parameters in terms of priority given by your firm for the year 2013-14:

(1 being the least important factor recognized and 5 being the highest important factor recognized)

Parameters ⟹	1	2	3	4	5
Product Quality Standard					
Timely Delivery					
Labour Productivity					

18) Please specify the percentage of cost incurred in the following categories for the year 2013-14:

Years	Excise and sales tax	Cost of power	Import duty on leather	Import duty on components	Import duty on machines	Cost behind raw materials as a whole	Labour wages	Logistics cost
2013-14								

19) Please specify the percentage of raw materials procured domestically vis-à-vis imports for the year 2013-14:

Years	Raw Leather		Machines		Components	
	Domestic (%)	Imported (%)	Domestic (%)	Imported (%)	Domestic (%)	Imported (%)
2013 – 14						

20) Rank the areas based on the importance given in terms of investment made for the year 2013-14:
(1indicates highest importance and 9 indicates the least importance)

Years	R& D	IT	Training of employee	Welfare of employees	Market research	Promotional activities	Automation of processes	Quality control measures	Product Design
2013-14									

21) Rank in order of importance the most critical factor for your export production. (1 indicates most and 4 indicates least)

a)	Power	
b)	Water Supply	
c)	Logistics and Transportation	
d)	Solid Waste Management	
	Other, Please Specify	

22) Rank in order of consequence, which according to you is causing hindrance in your export performance? (1 indicates most and 4 indicates least)

a)	Power	
b)	Water Supply	
c)	Logistics and Transportation	
d)	Solid Waste Management	
	Other, Please Specify	

23) Rank in order of importance the most critical issue for your export production.(1 indicates most and 7 indicates least)

a)	Materials / Components market	
b)	Tanneries supplying raw leather	
c)	Design and product development studios	
d)	Effluent treatment plants	
e)	Buyer interaction showrooms	
f)	Testing Laboratories	
g)	Skilled Manpower	

24) Rank in order of consequence, which according to you is causing hindrance to your export performance? .(1 indicates most and 7 indicates least)

a)	Materials / Components market	
b)	Tanneries supplying raw leather	
c)	Design and product development studios	
d)	Effluent treatment plants	
e)	Buyer interaction showrooms	
f)	Testing Laboratories	
g)	Skilled Manpower	

25) Please select the option which is true for your firm:

Options ⟹	Strongly Agree	Agree	Disagree	Strongly Disagree
At times **bulk order** from a customer is shared between firms				
Bulk purchase of inputs are done together by firms in order to get discounts				
Market leads are shared between firms in order to help each other conquer new export markets				
There exists a **collective learning** environment among firms for **process innovation**				
There exists a **collective learning** environment among firms for **product design innovation**				
Revolving funds circulates among firms as working capital				
There exists **joint established shops** to retail finished products				
There exists **collective investments** in large equipments and machineries				

26) Please select the option which is true for your firm:

Options ⟹	Strongly Agree	Agree	Disagree	Strongly Disagree
There exists a **common raw material supply center** in the vicinity				
There exists a **common loan authorizing center** catering to similar kind of requests				
There exists **development of** sector specific **human resource skills**				
Proximity of **common facilities** (like effluent treatment plant, testing laboratories etc.) allows the firms to share the investment behind infrastructure				
There exists **SEZ's** which increases the efficiency of the firms				

27) Please rate your satisfaction level as against the role assigned and work done by the following institutes on a scale of 5.
(1 indicates least satisfaction level and 5 indicates highest satisfaction level)

Options ⟹	1	2	3	4	5	No clarity about its role
Council for Leather Export (CLE)						
Footwear Design and Development Institute, FDDI						
Central Footwear Training Institute, CFTI						
DIC						
Central Leather Research Institute (CLRI)						
All India Skin & Hide Training and Merchants Association						
Others (Please specify)						
Others (Please specify)						
Others (Please specify)						

28) Please specify the total amount of raw leather used vs. the total amount imported as raw material for the given years:

Years	Total amount of raw leather used	Total amount of raw leather imported
2008-09		
2009-10		
2010-11		
2011 – 12		
2012 – 13		
2013 – 14		

29) Please specify the three most important areas where the government's support has been really useful to enhance the export performance of your firm?

a)_____

b)_____

c)_____

30) Please specify the three most important areas where you need immediate relief / help from the government:

a) _____
b) _____
c) _____

Article No.3

CLUSTERING – AN ENABLER TO THE LEATHER FOOTWEAR EXPORTING SMES?

Bianka Ray Chaudhury
Research Scholar, AIMA AMU Executive PhD

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Abstract: Clusters are a prominent and common feature in the present economy. They are defined as a geographical agglomeration of competing and related industries and have become the fundamental force behind the subsistence and growth of the SME sector. The study here wishes to explore the clustering activities present in the exporting leather footwear SME sector and its effect on the export performance. This exploration has been done in the exporting leather footwear SME segment with 174 firms as sample size from four different clusters within India. The findings suggest that, though vertical clustering activities are present; the scenario behind horizontal clustering and institutional support is bleak. Nevertheless, the government has to gear up in order to develop and promote all the types of clustering processes, as they have been found to significantly impact the export performance of the leather footwear firms.

Key words: Export performance, Horizontal clustering, Vertical Clustering, Objective and Subjective performance

Introduction:

All over the world, the small and medium enterprises (SMEs) have been accepted as the engine of economic growth promoting even-handed development. The major advantage of this sector is its employment potential at low capital cost. In recent years the small scale sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and vitality, the sector has shown splendid innovativeness and adaptability to survive the recent economic downturn and recession. Even in India the Small and Medium enterprises constitutes a significant and vital segment of the industrial sector and the economy as a whole.

The Government of India has accorded the SSIs to be a high priority sector because of its contribution to growth and exports of India. The capability of the Indian SMEs to compete in international markets is reflected in its share of about 30% approximately in the national exports of India. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small scale industrial units

contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses or export houses. The contribution of the SME sector to export and hence to GDP has increased over the years in terms of values.

Nevertheless, this potential role of triggering economic growth through exports by the SMEs is often not achieved for numerous factors which are very much prominent in this segment. SMEs time and again lack in terms of financial resources, skilled human resources, large production capabilities and project management concepts. Hence, individually SMEs in developing nations are often not capable either to capture the prospects of the market or to deliver substantially in the international sphere. Finally, because of the continuous and fierce struggle to preserve their narrow profit margins, SMEs in developing countries are often locked in their routines and unable to introduce innovative improvements to their products and processes and look beyond the boundaries of their firms (Giovanna Ceglie and Marco Dini, 1999). Therefore this signifies that there should exist a co-operation and joint strategy among the firms and also from the government in order to make the exporting SMEs competitive, so that their contribution to the nations export does not get dampened.

This co-operation is often achieved through clustering activities. Cluster is defined as a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue that share specialized infrastructure, labour markets and services and that are faced with common opportunities and threats (Rosenfeld 1997). Clustering activity is generally categorized into three different planes; one is the relation between the competing firms, second being the relation between the firms and support institutes and the last one is the development of local institutions to act as facilitators of the clustering process. In all the main intention of the clustering activity is to make the SME firms overcome their isolation and reach new collective competitive advantages which otherwise is beyond the reach of individual small firms (Giovanna Ceglie and Marco Dini, 1999).

In India, among the SME exports, 67% is contributed by the manufacturing sector (4^{th} Census of MSME Sector) and in manufacturing the SME sector contributes about 60-65% in the leather segment. The Leather sector forms an important part of the manufacturing sector and holds a prominent place in the Indian economy. This sector is known for its consistency in high export earnings and it is among the top ten foreign exchange earners for the country.

The product mix of the leather export sector which India caters to is finished leather, footwear, leather garments, saddler and harness and leather goods which includes belts, gloves etc. Among the different products imported within the leather sector, world demand for leather footwear comprises of 70.64%, where the global demand increased from 44824.69 million US$ in 2006 to 48360.36 69 million US$ in 2010. To align itself to the trend of the global imports, the percentage share of leather footwear (45%), among the different leather products for export, is the highest in India (CLE).

Likewise, small and medium enterprises are playing an increasingly important role in the process of export-led growth in India as it comprises of 80% of the leather footwear industry. While prospects for India's Leather footwear industry has brightened in view of declining production of leather footwear in the Western European countries, the industry in India has to go in for substantial capacity enhancement in order to fully utilize this opportunity. India's export share to world import for leather footwear hovers around 2-3% only.

The study here wishes to explore and find out whether the different forms of clustering activities present and provided by the government does actually affect the export performance of the Indian leather footwear SME firms. Hence the objective of this paper is:

- To identify the magnitude and degree of presence of different clustering activities in the leather footwear exporting SMEs.
- To examine the relationship between the various forms of the clustering process with the export performance of the leather footwear SME firms.

Consequently the paper would be able to recognize the clustering activities which are actively present and also absent among the exporting SMEs in the leather footwear sector. It would also help to categorize the specific clustering strategies which are helping in enhancing the export performance, thus leading the government with the areas where support and hand holding is a necessity.

Literature Review:

The Small and Medium enterprises in India have a major role to play in the development and advancement of the nation through sustaining and enhancing their export contribution. For them, the competition comes in terms of reduced cost, improved quality, products with higher performance, a wider range of products and better service, and all delivered simultaneously *(Dangayach and Deshmukh, 2001).* As a consequence, it is crucial to take a detailed look at the small scale sector in India as they are facing a number of difficulties and constraints to sustain their competitiveness.

The proportional growth in exports by SMEs that was expected to follow with liberalization policies like reduction in tariffs and the dismantling of quantitative restrictions did not really happen in India. Some of the policies introduced by the Government of India may, however, not been very helpful in increasing the efficiency of the units in this sector. The *RBI* in the year *2002* came out with some guidelines in which it produced a new structured definition of a sick SME unit and along with it prescribed in depth rehabilitation norms. According to the document published by RBI, it is of utmost importance to take measures to ensure that sickness is arrested at the initial stage itself.

The *Fourth All India Census of Micro, Small & Medium Enterprises (2006-2007)*, came out with the facts that among the 22.48 lakh enterprises were found relevant to MSME, 15.64 lakh units were found working, 4.96 lakh units permanently closed and 1.88

lakh units non-traceable. Data reveals that closure among MSMEs has gone down by about 17% and working unit's percentage has gone up by about 9% as compared to 3 Census 2001-02. With the sickness record gradually coming down, the focus turns towards the competitiveness of the SME units.

Dr M H Bala Subrahmanya (2004), discusses that increasing competition in the globalization period does affect the growth of Indian small industry adversely. The paper finds the growth rate in unit, total production, employment and exports has been adversely influenced due to globalization. *Vinayak Uppal (2006*, finds that the concept of 'innovation' is nearly non-existent through any kind of R&D and that there is hardly any government support in this regard. Also, these SME units often lack the economies of scale required to undertake large marketing initiatives in order to face the problem of competition.

The findings of *Rajesh K Singh, Suresh K. Garg and S.G Deshmukh, (2010)* states that cost reduction, quality improvement, and delivery in time have emerged as major challenges for SMEs. The paper also finds that SSIs have highest competitiveness at local level and lowest competitiveness at international level. Therefore, different studies show that though Globalization has increased competitiveness in Indian SMEs to a certain extent; Indian SMEs are still not adequately prepared to compete with the global players in the international arena. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes.

One such scheme to ensure the improvement in the competitiveness of these exporting SMEs is the development of clustering activities Clusters are defined as a geographical agglomeration of competing and related industries; and where there is evidence of improved performance such as a growth and profitability arising from the agglomeration of firms in a region (*Adrian T.H. Kuah, 2002*). Competitive advantage grows fundamentally out of improvement, innovation and change. Firms in a cluster will gain advantage over international rivals if they could find new and better means to compete with better linkages, knowledge spillovers and innovation.

Clusters, according to Porter (1998a:197) is a 'geographic concentration of interconnected companies, specialized suppliers, service providers, firms in related industries and associated institutions in particular fields that competes but also cooperates'.

According to a new ITC market study, an increasing portion of leather and leather footwear in particular, is supplied by developing countries. Leather and leather products remains to be consumed in large capacities in developed countries like the USA, Europe, Australia and Japan. A growing number of developing countries are successfully exporting leather footwear to the major markets. Shoes produced in Latin America, Africa and Asia is now found in shops across Europe and North America. Some of the suppliers to these outlets are the small and medium-size companies of the developing countries that have succeeded in penetrating the market through carefully

planned export operations. India too has been increasing its export but not at rates comparable to what the South Asian countries have been able to achieve.

Wenghou_Huang (2007), discusses the role of clustering in the footwear industry while examining the driving forces behind the dramatic rural industrial growth seen in the Wenzhou footwear industrial cluster of China. The paper finds that clustering has deepened the division of labour and has in turn simplified complex production process into smaller steps which lowered technical and capital barriers to entry. Cluster also reduces the transaction cost and facilitates concentrated transactions among the different small enterprises. The knowledge spillovers, resulting from contact with other firms or institutions, do not simply influence technological innovation and productivity. It also has a wider range of effects like altering the financing, marketing, managerial and organisational practices of the beneficiaries; and by affecting firm growth and changing the nature of market structure (*Baptista, 1996*).

Chinese leather industry's strength lies in the clusters where they process millions of pairs of footwear in a cost-effective manner, helping each other. Unlike China, the collaboration is absent in India *(Deloitte in consultation with NMCC (2009)*. However, Manali Chakrabarti and Rahul Varman while analyzing issues regarding cluster development, exports and globalization finds that Leather manufacturers in Kanpur had often developed an active association amongst themselves and have shared capacity and manpower skills to accommodate large and/ or unusual orders especially in a situation of tight deadline. Sometimes cases of special designs had also been shared out. Although the paper also highlights the fact that for new firms the whole ethic has changed and to become successful, they do not cooperate with each other. Hence, individuals have gained but not the industry as a whole.

Research Gap:

There has been a lot of research conducted worldwide on clustering process and its spillover effects in the concerned industry. Few researches have also dealt with the presence of clusters in the leather and leather footwear sector and its performance at large. Likewise, in India a number of white papers and research papers have dealt with the concerned area. However, the most significant gaps which lies with the existing literature is the state of the exporting leather footwear SME firms with respect to different forms of clustering activities and linking them to the performance of the SME exporters.
This particular study attempts to contribute by examining the performance of the exporting SME footwear units and its relation to the clustering strategies adopted by them.

The research addresses the following questions:

- At what extent have the leather footwear exporting SME firms adopted different clustering strategies?
- Does adoption of clustering strategies have positive effects on the export performance of the leather footwear SME firms?

Research Methodology:

As competition in the world markets has intensified, there also arises an increased need for understanding the concept of export performance and the factors associated with it. Today, there is a general consensus that the traditional financial measures, though still valid and relevant (Yip *et al*., 2009), but needs to be balanced with more contemporary, intangible and externally oriented measures.

This research work has taken up the economic/financial measure; the market image measure and the overall export potential of an exporting firm which together jointly comprises the performance construct of the study.

The economic performance is generally measured through two traditional factors being: sales turnover and profit after tax.

Table 1: ***Items for Economic Performance***

Construct	Measure	Adapted From
Economic Performance	Sales Turnover / Revenue	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007) Elin Grimsholm and Leon Poblete (2010) Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)
	Profit after Tax	

Customer satisfaction is a term frequently used and it measures how a product supplied by a company, meets or surpasses customer's expectation. Customer satisfaction is taken up as a measure of market image and has been defined through repeat purchases done by customers.

Table 2: ***Items for Performance through Market Image***

Construct	Measure	Adapted From
Market Image	Customer Satisfaction	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007), Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh (2010)

The overall export potential as the measure of performance has been studied through the total export volume (in terms of pairs of shoe exported) of an exporting firm for a particular year.

Table 0*: Items for Overall export potential*

Construct	Measure	Adapted From
Overall export potential	Export Volume	Jorge Carneiro, Angela da Rocha and Jorge Ferreira da Silva (2007),

The other major variable which the paper intends to study are the different clustering activities present and provided to the exporting SME firms. The process of identifying, defining, and describing a cluster is not standardized and so individual economic consultants and researchers had developed their own methodologies. This research work looks into the activities of a cluster from three different angles:

a) *Horizontal cluster:* In this form of cluster we find interconnections between competitor firms, within the same geographical unit, at a resource sharing level. The features through which horizontal clustering is being measured in this study are:
   i) sharing of bulk orders, bulk purchase, market leads and joint established retail shops between competitor firms
   ii) collective learning of process and product innovation
   iii) collective investments behind equipment's and machineries

b) *Vertical cluster:* In this form of cluster, the firms are associated or networked with various forms of the supply chain and the chain extends from upstream to downstream, ranging from raw materials to the final product. The features through which vertical clustering is being measured in this study are:
   i) common raw material supply center and loan authorizing center
   ii) development of sector specific human resource skills
   iii) presence of common facilities (like effluent treatment plant, testing laboratories etc.)
   iv) presence of SEZ's

c) *Associated institutes in the cluster:* The definition as given by Porter clearly indicates that there is an important role of associated institutes in an industrial cluster. These institutes can be government funded or can even be private. Whatever, may be, the sole goal of these institutes is to help the firms within the cluster with specific and specialized assistance and aid so that the industry as a whole flourishes. This study has taken into account the major institutes associated with the leather

footwear sector and wishes to evaluate the roles performed by them in serving the exporting firms, present in the cluster. The institutes considered are: Council for Leather Exports, Footwear Design and Development Institute, Central Footwear Training Institute, District Industries Center, Central Leather Research Institute and All India Skin and Hide Tanners and Merchants Association.

SMEs are often very reluctant to publicly reveal their actual financial performance, and scholars have deliberated on the need for subjective measures in evaluating business performance. Even if objective data is made available, the data often do not fully represent firms' actual performance, as managers may manipulate the data to avoid personal or corporate taxes (Dess & Robinson, 1984; Sapienza et al., 1988). A number of literatures have even propounded using both the objective and subjective measures in assessing the performance of the SMEs.

Hence the hypotheses which come up are:

H0.1: The leather footwear exporting SME firms have not adopted any form of clustering strategy
H0.2a: Horizontal clustering between firms has no significant effect on the objective performance of the exporting firms.
H0.2b: Horizontal clustering between firms has no significant effect on the subjective performance of the exporting firms.
H0.3a: Vertical clustering facilities as provided by the government have no significant effect on the objective performance of the exporting firms.
H0.3b: Vertical clustering facilities as provided by the government have no significant effect on the subjective performance of exporting firms.
H0.4a: The support from the institutes as created by the cluster has no significant effect on the objective performance of firms.
H0.4b: The support from the institutes as created by the cluster has no significant effect on the subjective performance of firms.

In this research, the content validity of the measurement instrument was assessed by asking experts to examine it and provide feedback for revision. The expert panel included professors, leaders / industry practitioners from the SME sectors and senior leaders from CLE. Reliability on the other hand, has been tested through using the same measures at two different times on the same sampling units. Also, confirmatory factor analysis has been used to test the validity and Cronbach Alpha to test the reliability of the construct "clustering" as data for the same has been collected through a summated rating scale.

Sampling method and size:
The population for the study is the exporting leather footwear SME firms operating across pan India. Now, in India the states where these exporting leather footwear SME firms are present are: Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh, Haryana, Punjab and West Bengal; which are clubbed into the southern zone, western zone, northern zone and the eastern zone.

Data from CLE also reveals that the major share or contribution comes from the states of Uttar Pradesh for north and Tamil Nadu for south.

Again, each of these exporting states has districts and then a number of clusters within it. After studying the clusters, it was found that Agra and Kanpur are the two clusters having the highest contribution (both volume and value) in Uttar Pradesh and on the other hand Ambur and Ranipet are the clusters contributing the most in Tamil Nadu.

This has been done keeping in mind that these four clusters are the highest contributors in the export of leather footwear across India.

Hence, the sampling method which has been adopted by this study is the Quota method followed by a Simple Random Sampling.

There are 314 exporting leather footwear SME firms which are registered with CLE from these four clusters; out of which Agra has 135, Kanpur 113, Ambur 42 and Ranipet 24 exporting firms.

Now, to calculate the optimal sample size we have taken into consideration the confidence level, the margin of error, the response distribution and the population size.
Lastly, keeping in mind the total sample size (n=174), the population size (N=314) and the distribution of firms in each cluster, the number of firms to be taken as sample from each of the four clusters is:

Ambur: 21
Ranipet: 12
Agra: 75
Kanpur: 66

Primary data was collected from 174 firms in total across the four clusters using a structured questionnaire. The sample items were either the M.D or any higher official of the leather footwear exporting SMEs

Findings and Interpretations:
In order to test the first hypothesis a descriptive statistical analysis was carried out. The hypothesis was:

H0.1: The leather footwear exporting SME firms have not adopted any form of clustering strategy

The following tables show the analysis:
Horizontal Cluster: The table down below now shows the average rating and the S.D of different components of horizontal cluster:

Table 4*: Average rating for Horizontal Cluster*

Stats	BLK_OR	BLK_PR	MKT_LDS			RVL_FNDS	JNT_SH	COLL_I

Tools	D (Rating)	C (Rating)	(Rating)	COLL_LRN _PRS-INV (Rating)	COLL_LRN _PRD-DSGN (Rating)	(Rating)	P (Rating)	NV (Rating)
N	174	174	174	174	174	174	174	174
Mean	2.85	2.48	2.50	2.50	2.53	2.62	2.46	2.64
S.D	.983	.927	.976	.952	.964	.950	.939	.936

(1 = Strongly Agree, 2 = Agree, 3 = Disagree, 4 = Strongly Disagree)

The above table shows that apart from bulk purchase of raw materials and presence of joint retail shops among competitor firms, the other aspects of horizontal clustering tends to move towards disagreement or non-presence as the mean values are >=2.5

Vertical Cluster: The table down below shows the average rating and the S.D of different components of vertical cluster:

Table 5*: Average rating for Vertical Cluster*

Stats Tools	COMM_RAW_MAT_SS (Rating)	COMM_LOAN (Rating)	DEV_HRS (Rating)	COMM_FAC (Rating)	SEZ (Rating)
N	174	174	174	174	174
Mean	2.46	2.26	2.34	2.24	2.46
S.D	1.043	.828	.945	.903	.908

(1 = Strongly Agree, 2 = Agree, 3 = Disagree, 4 = Strongly Disagree)

The above table shows that for every item of vertical clustering considered, the firms agree that they are present in India.

Cluster Institutes: The next table shows the average ratings given to the different institutes which provide support to the SME exporting firms:

Table 6*: Average rating for institutes supporting the cluster*

Stats Tools	CLE (Rating)	FDDI (Ratings)	CFTI (Ratings)	DIC (Ratings	CLRI (Ratings)	AISHTMA (Rating)
N	174	174	174	174	174	174
Mean	3.33	2.94	2.74	2.15	2.29	2.06
S.D	1.03	1.24	1.42	1.49	1.36	1.35

(1 = Least satisfaction level, 5 = Highly Satisfied)

From the above table we find that among the institutes CLE has the highest rating and DIC and AISHTMA has the lowest ratings as far as the satisfaction level of the firms with respect to their support is concerned.

H0.2a: Horizontal clustering between firms has no significant effect on the objective performance of the exporting firms.
H0.2b: Horizontal clustering between firms has no significant effect on the subjective performance of the exporting firms.

The data for the construct horizontal clustering has been collected through a semantic rating scale in the survey. The reliability analysis done through Cronbach Alpha for horizontal clustering, gives a value of .891.

Table 7: ***Reliability score for horizontal clustering***

Cronbach's Alpha	N of Items
.891	8

Henceforth a confirmatory factor analysis was run to test the content validity and to ensure whether latent constructs emanates from the measures used.
The given tables show the results which emerged after running a factor analysis on the measures of horizontal clustering:

Table 8: *KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.807
Bartlett's Test of Sphericity	Approx. Chi-Square	367.499
	Df	28
	Sig.	.000

Table 9: *Rotated Component Matrix*

	Component	
	1	2
Q_25_1 Bulk order	.508	.574
Q_25_2 Bulk purchase	.790	.186
Q_25_3 market leads	-.110	.832
Q_25_4 Collectivce learning for process innovation	.494	.239
Q_25_5 Collectivce learning for product design innovation	.727	.130
Q_25_6 revolving funds	.353	.588
Q_25_7 joint established shops	.720	-.021
Q_25_8 collective investments	.617	.491

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

So from the above table two factors which are derived are:

Table 10a: ***Factor 1 ()***

Factor (Component 1)	BLK_PRC	COLL_LRN_PROC	COLL_LRN_DSG	JNT_SHP	COLL_INV
Supply chain efficiency	.790	.494	.727	.720	.617

Table 10b: ***Factor 2 ()***

Factor (Component 2)	BLK_ORD	MKT_LED	REV_FND
Economic leverage	.574	.832	.588

Now in order to test the hypotheses, correlation has been carried out between the different measures of performance with the factors "Supply chain efficiency" and "Economic leverage" respectively.
The tables below show the analysis:

Table 11: ***Correlation between objective performance and Horizontal cluster***

CORR	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REP_CUST_OBJ
SS_CHN_EFF	r = .331*** sig = .000 N=173	r = .310*** sig = .000 N= 168	r = .009 sig = .903 N=173	r = .358*** sig = .000 N=174
ECO_LEV	r = .218** sig = .004 N=173	r = .166* sig = .031 N= 168	r = -.133 sig = .081 N=173	r = .206** sig = .006 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Table 12: ***Correlation between subjective performance and Horizontal cluster***

CORR	SAL_REV_SUB	PAT_SUB	EXP_VOL_SUB	REP_CUST_SUB
SS_CHN_EFF	r = .153* sig = .043 N=173	r = .121 sig = .111 N= 168	r = .189** sig = .001 N=173	r = .324*** sig = .000 N=174
ECO_LEV	r = .136 sig = .073 N=173	r = .085 sig = .263 N= 168	r = .199** sig = .008 N=173	r = .219** sig = .004 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- The factor "supply chain efficiency" of horizontal clustering with sales revenue and percentage of repeat customers
- The factor "economic leverage" of horizontal clustering with percentage of repeat customers

H0.3a: Vertical clustering facilities as provided by the government have no significant effect on the objective performance of the exporting firms.
H0.3b: Vertical clustering facilities as provided by the government have no significant effect on the subjective performance of exporting firms.

On similar notes the data for the construct vertical clustering has been collected through a semantic rating scale in the survey. The reliability analysis done through Cronbach Alpha for vertical clustering, gives a value of .702.

Table 13: ***Reliability score for vertical clustering***

Cronbach's Alpha	N of Items
.702	5

Henceforth a confirmatory factor analysis was run to test the content validity and to ensure whether latent constructs emanates from the measures used.

The given tables show the results which emerged after running a factor analysis on the measures of vertical clustering:

Table 14: ***KMO and Bartlett's Test***

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.659
Bartlett's Test of Sphericity	Approx. Chi-Square	49.773
	Df	10
	Sig.	.000

Table 15: ***Rotated Component Matrix***

	Component		
	1	2	3
Q_26_1 Common raw material supply center	.043	.817	-.108
Q_26_2 Common loan authorizing center	.754	-.129	.429
Q_26_3 development of human resource skills	.037	.680	.326
Q_26_4 Common facilities	.857	.187	-.212
Q_26_5 SEZ's	.010	.109	.907

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

So from the above table three factors which are derived are:

Table 16a: ***Factor 1 ()***

Factor (Component 1)	COMM_LOAN	COMM_FACL
Economic Multiplier	.754	.857

Table 16b: ***Factor 2 ()***

Factor (Component 2)	COMM_RM_SS	DEV_HR_SKL
Resource Multiplier	.574	.608

Table 16b: ***Factor 2 ()***

Factor (Component 2)	SEZ
SEZ	.907

Now in order to test the hypothesis, a correlation has been carried out between the different measures of performance with with the factors "Economic Multiplier", "Resource Multiplier" and "SEZ" respectively.
The tables below show the analysis:

Table 17: ***Correlation between objective performance and Vertical cluster***

CORR	SAL_REV_OBJ	PAT_OBJ	EXP_VOL_OBJ	REP_CUST_OBJ
ECO_M	r = - .101	r = -.080	r = -.037	r = -.031

TP	sig = .188 N=173	sig = .300 N= 168	sig = .625 N=173	sig = .685 N=174
RES_MTP	r = -.037 sig = .479 N=173	r = -.026 sig = .736 N= 168	r = .144* sig = .044 N=173	r = .168* sig = .026 N=174
SEZ	r = .134 sig = .078 N=173	r = .266* sig = .031 N= 168	r = .121* sig = .013 N=173	r = -.058 sig = .444 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Table 18: ***Correlation between subjective performance and Vertical cluster***

CORR	SAL_REV_SUB	PAT_SUB	EXP_VOL_SUB	REP_CUST_SUB
ECO_MTP	r = - .252** sig = .001 N=173	r = -.241** sig = .001 N= 168	r = -.296*** sig = .000 N=173	r = -.055 sig = .474 N=174
RES_MTP	r = -.068 sig = .371 N=173	r = -.024 sig = .752 N= 168	r = .134* sig = .047 N=173	r = .179* sig = .037 N=174
SEZ	r = -.047 sig = .535 N=173	r = .148* sig = .041 N= 168	r = .109* sig = .018 N=173	r = -.048 sig = .526 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- The factor "economic multiplier" of vertical clustering with no measures of performance
- The factor "resource multiplier" of vertical clustering with export volume and repeat customer
- The factor SEZ of vertical clustering with profit after tax and export volume

H0.4a: The support from the institutes as created by the cluster has no significant effect on the objective performance of firms.

H0.4b: The support from the institutes as created by the cluster has no significant effect on the subjective performance of firms.

In this study, the prominent institutes / body which cater and help out the leather footwear exporting SMEs have been taken up to explore the satisfaction level of the exporting firms gained from their support

Correlation has been carried out with the ratings given for every institute by the firms and each one of the performance measures. The following tables show the analysis:

Table 19: ***Correlation between objective performance and support institutes***

CORR	SAL_REV_ OBJ	PAT_O BJ	EXP_VOL_ OBJ	REJ_RATE_ OBJ	DEL_SPD_ OBJ	REP_CUST_ OBJ
CLE	r = .268*** sig = .000 N=173	r = .227*** sig = .003 N= 168	r = -.004 sig = .955 N=173	r = .028 sig = .716 N=174	r = -.212** sig = .005 N=174	r = .204* sig = .044 N=174
FDDI	r = .246** sig = .001 N=173	r = .229** sig = .003 N= 168	r = .046 sig = .547 N=173	r = .044 sig = .560 N=174	r = .049 sig = .240 N=174	r = .375*** sig = .000 N=174
CFTI	r = .277*** sig = .000 N=173	r = .225** sig = .003 N= 168	r = .104 sig = .172 N=173	r = .042 sig = .578 N=174	r = -.025 sig = .738 N=174	r = -.080 sig = .295 N=174
DIC	r = -.054 sig = .856 N=173	r = -.012 sig = .882 N= 168	r = -.031 sig = .685 N=173	r = -.105 sig = .165 N=174	r = -.235** sig = .002 N=174	r = -.105 sig = .166 N=174
CLRI	r = .213** sig = .005 N=173	r = .156* sig = .044 N= 168	r = -.106 sig = .164 N=173	r = -.037 sig = .624 N=174	r = .083 sig = .276 N=174	r = -.013 sig = .866 N=174
AISHT MA	r = .130 sig = .088 N=173	r = .102 sig = .186 N= 168	r = -.100 sig = .192 N=173	r = -.073 sig = .339 N=174	r = .130 sig = .086 N=174	r = .124 sig = .103 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Table 20: ***Correlation between subjective performance and support institutes***

COR	SAL_REV_S	PAT_S	EXP_VOL_S	REJ_RATE_	DEL_SPD_	REP_CUST_

R	UB	UB	UB	SUB	SUB	SUB
CLE	r = .113 sig = .136 N=173	r = .119 sig = .118 N= 168	r = .135 sig = .076 N=173	r = -.312*** sig = .000 N=174	r = -.212*** sig = .005 N=174	r = 203** sig = .007 N=174
FDDI	r = .088 sig = .247 N=173	r = .092 sig = .225 N= 168	r = .070 sig = .355 N=173	r = -.127 sig = .095 N=174	r = .243** sig = .001 N=174	r = .209** sig = .006 N=174
CFTI	r = .248** sig = .001 N=173	r = .215** sig = .004 N= 168	r = .143 sig = .059 N=173	r = -.134 sig = .077 N=174	r = .124 sig = .101 N=174	r = .027 sig = .721 N=174
DIC	r = .083 sig = .275 N=173	r = .182* sig = .016 N= 168	r = .074 sig = .330 N=173	r = -.067 sig = .380 N=174	r = -.033 sig = .668 N=174	r = -.087 sig = .254 N=174
CLRI	r = .198** sig = .009 N=173	r = .212** sig = .005 N= 168	r = .312*** sig = .000 N=173	r = -.291*** sig = .000 N=174	r = .206** sig = .006 N=174	r = .104 sig = .171 N=174
ASHTMA	r = .260** sig = .001 N=173	r = .349*** sig = .000 N= 168	r = .260*** sig = .000 N=173	r = -.409*** sig = .000 N=174	r = .124 sig = .103 N=174	r = .074 sig = .328 N=174

*Note: *p<.05, **p<.01, ***p<0.001*

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- CLE as a support institute with delivery speed and repeat customer
- FDDI as a support institute with repeat customer
- CFTI as a support institute with sales revenue and profit after tax
- DIC a s a support institute with no measure of performance
- CLRI as a support institute with sales revenue and profit after tax
- AISHTMA as a support institute with no measures of performance

Conclusion:

The two objectives on which the study revolved was: to explore the relationship of clustering activities with the performance of the leather footwear exporting SME firms and to identify the kind of clustering process present in India in the said sector.
Horizontal clustering involves the competing firms, found in a specific geographic location, sharing different forms of resources amongst each other in order to become competitive as a whole. It has been observed in this study that apart from, bulk purchase of inputs done together by firms in order to get discounts and establishing joint shops to retail finish goods; other forms of horizontal clustering which has been measured through sharing of bulk orders from customers, sharing market leads, collective learning environment for process innovation and product design innovation, collective investments in machineries and revolving funds circulating amongst firms is not vastly present in the leather footwear SME segment.

Nevertheless is has been also found out that sharing of bulk orders, market leads and revolving funds (called as the factor "economic leverage) amongst the competing firms can actually affect the export performance together as it gives rise to economies of scale within the sector. Also it has been observed that collective learning environment for process innovation and product design innovation, collective investments in machineries and bulk purchase of raw materials by the firms together called as "supply chain efficiency" affects the sales revenue and percentage of repeat customers for individual firms.

With regards to vertical clustering it has been witnessed that the exporting SME firms acknowledge the presence of the following spaces in India: common raw material supply center in the vicinity, common loan authorizing center, development of sector specific human resource skills, proximity of common facilities (like effluent treatment plant, testing laboratories) and SEZ's. These capacities with respect to vertical clustering is absolutely necessary as the paper finds that common raw material supply center and development of sector specific human resource skills together (called as resource multiplier) affects the export volume and percentage of repeat customers for individual firms. Also the presence of SEZ's makes a difference in the profit and export volumes of single firms.

As far as the institutional backing to the clusters of the exporting leather footwear SMEs are concerned, it has been observed that firms feel that institutes like CLE and FDDI has really offered support and it becomes vivid in its relationship with the percentage of repeat customers a firm enjoys. The analysis also shows that CLRI and CFTI can enhance the sales revenue and profit for the individual firms. However none of the institutes have got a rating exceeding 3.5, with the ratings for DIC's and AISHTMA being too low.

The above findings indicate that though vertical clustering activities are present for the exporting SMEs in the leather footwear segment, the aspects of horizontal clustering activities and the support institutes have to really gear up to create competitiveness in the sector as most of them can truly bring about positive changes in the export performance. This requires immense handholding from the government and private institutes to not only create an environment for horizontal clustering activities but also to promote and

educate the SME firms of its benefits. To improve the institutional support and environment, the government, along with private players, should frame short term and long terms goals for them and should also build a culture of inter-institutional working where they take direct role in local capacity building and project completion of the exporting firms. Lastly, a coordinated industrial policy with respect to different clustering activities should come up in order to support and make the SME export sector in the leather footwear segment competitive.

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Study on the Impact of Marketing Mix on Export Performance – vis-à-vis the Leather Footwear Exporting SMEs of India

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Abstract

Theory often suggests that having a suitable marketing mix and market orientation can enhance the export performance of any firm. Keeping this in mind, this paper wishes to examine the relationship between the market mix strategies (with respect to place, product, price and promotion) and export performance. This exploration has been done in the exporting leather footwear SME segment with 174 firms as sample size from four different clusters within India. The findings suggest that though the exporting firms are at a comfortable zone as far as their export destinations (strategy with respect to place) is concerned; they by and large are at a huge gap with respect to the product, pricing and promotional strategies and thus are losing out considerably as far as their export performance is concerned.

Keywords: Export Performance, Leather Footwear SME Firms, Marketing Mix, Objective and Subjective performance

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1. Introduction

Exports of a country play an important role in the economy. For most of the countries throughout the world, growth of exports has also brought about growth in the GDP and foreign exchange earnings of the economies. The growth in global trade and sales activity in the world has increasingly emphasized the importance of exporting for firms and countries.There has been a large of number of studies exploring the export-led-growth hypothesis, which clearly points out that export expansion are one of the prime determinants of economic growth. Thus, understanding the determinants behind export performance in today's business environment becomes absolutely important. One of the things which clearly rule any export performance or success is the presence of competitive advantage in the international market.

The marketing mix is an integral part of any business as it helps to develop effective marketing strategies and aids the business to flourish as well as sustain in the market. With effective marketing strategies the company conveys to its customers what they have to offer and why is it different and better than the others. Also, known as the 4 P's of marketing, the marketing mix comprises of the approach of the company towards its product, price, place and promotional activities.There lies no exception in case of an exporting firm. Stressing a product's comparative advantage through aneffective marketing mix is truly essential while doing business internationally.

All over the world, the small and medium enterprises (SMEs) have been accepted as the engine of economic growth promoting even-handed development with its contribution in exports. In recent years the small scale sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and vitality, the sector has shown splendid innovativeness and adaptability to survive the recent economic downturn and recession. Even in India the Small and Medium enterprises constitutes a significant and vital segment in the export market and the economy as a whole.The Government of India has accorded the SSIs to be a high priority sector because of its contribution to growth and exports of India. The capability of theIndian SMEs to compete in international markets is reflected in its share of about 30% approximately in the national exports of India.Direct exports from the SSI Sector account for nearly 35% of total exports.

However, it is known that most of the SMEs of the developing nations, including India, are not involved in active marketing planning and its implementation. SMEs, despite their contribution to the economy and its export, still fall a way behind in terms

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of managerial skills and hence their adoption of any marketing planning or strategy. The absence of any planned marketing mix in the SMEs might be due to a number of factors like lack of skilled human resource, financial resource and the like. But the most important question which arises is that whether this absence of a planned marketing strategy actually deterring the export performance of the SME firms.

Hence it is important to find out the impact of marketing mix strategies on the export performance of a SME firm.

In India, among the SME exports, 67% is contributed by the manufacturing sector (4th Census of MSME Sector). Again, in the leather industry, which falls in the manufacturing segment it is found that the SME sector contributes about 60-65% of the exports.This paper has taken up the leather footwear export segment as around 80% of the sector comprises of SME firms.

The Global import of Leather and Leather Products is growing at a cumulative annual growth rate of 5% (Council for Leather Exports) and this trend is expected to follow in the near future. Also, among the different products imported within the leather sector, world demand for leather footwear comprises of 70.64%. To bring into line to the trend of the global imports, the percentage share of leather footwear among the different leather products for export is also the highest in India. The footwear sector is a very important segment of the leather industry in India and is considered the engine of growth for the entire Indian leather industry.

While the scenario for India's Leather footwear industry has enhanced in view of deteriorating production of leather footwear in the Western European countries, the industry in India has to go in for significant capacity enhancement in order to fully utilize this opportunity. India's export share to world import for leather footwear is hovering around 2-3% for the last decade. The Council for Leather Exports, in the year 2007, had projected an estimated growth for the leather footwear export to 4526.05 million US $ for the year 2010. But India failed to achieve that milestone, which could have boosted India's share to the world import to 9.35%.

The study here intends to explore the relationship between export performance of the leather footwear SME firms and their marketing mix strategies given by place, price, product and promotion. Hence the objective of this paper is:

- To identify the extent of use of the marketing mix strategies in the leather footwear exporting SMEs.
- To examine the relationship between the marketing mix strategies and the export performance of the leather footwear SME firms.

By doing so, the paper would be able to recognize specific marketing strategies which help in enhancing the export performance of the leather footwear SME firms and in turn help the exporting units to develop a planned marketing mix strategy.

2. Literature Review

As we know, economic reforms and liberalization was introduced in 1991 as a major programme in India, with emphasis on the external sector. The policy focus was primarily on liberalization of capital goods and inputs for industry, to encourage domestic and export oriented growth. Though the growth rate started gradually picking up with GDP reaching to 7.23 % in 1999 as compared to 2.13% in 1991, the rate in the decline of poverty and unemployment was not enough to sustain such growth rates and the GDP rate fell sharply to 5.6% in the year ending 2000. The Trade policy review as given by the WTO in 2000-2001, states that in order to achieve further significant reductions in poverty and unemployment, India should target higher real GDP growth of between 7% and 9% (compared with 5.4% expected for 2001/02). To meet this goal it will be important, as stressed by the authorities, to continue, and even accelerate, the reform process and increase competition in the economy and enhance exports.

ELG hypothesis, for the time period 1971-2005, fails to find support in India and shows that in spite of reforms, it still retains some characteristics of an import substituting economy[21]. On the contrary, Krishan & Kurt[15] in their study finds that there exists a linear long-run equilibrium relationship among the variables, and any departures from this relationship are due to temporary disequilibrium forces. Their paper also come across that export instability has a negative effect on the economic growth in the short run and induces short run macro-economic instability. On similar lines, Ranjan Kumar Dash[5] in his article states that there exists a long-term relationship between output and exports, and it isunidirectional, running from exports to output growth. Hence, in the case of India, the author feels further liberalization of trade policies are recommended in promoting and sustaining economic growth. Some papers even suggest that there exists a bi-directional causality between exports and economic growth and uni-directional causality among trade openness and GDP of India[14].

Economists argue that the disparity in the findings of the ELG theory in India is due to the fact that the years under study have undergone different trade policies - some import substitution, some export promotion and the rest facing a mixture of both. Never the less, whatever may be the conclusion, export growth effects output growth through a number of positive externalities, through the foundation of more efficient management styles, improved production techniques, increased scale economies, improved allocative efficiency and better ability to generate comparative advantage.

Labour intensive sectors, being the competitive/comparative advantage of the Indian economy, the Government of India has accorded the SMEs to be a high priority sector because of its labour intensiveness, high employment generating capability and hence contributing to growth and exports of India. In most of the countries these sectors are mostly labour intensive and the labour intensive units are better performers than their capital-intensive counterparts. However due to liberalization adopted by most of the nations, the SME sector is facing stiff competition throughout. According to competitiveness refers to the extent to which a nation's goods can compete in the market place, which largely depends on the relative prices and quality of domestic vis-a-vis foreign goods and services.Therefore, all firms must anticipate, respond and adapt to the competitive environment of the global world and the SME sector being the backbone of any nation, is no exception.

As a consequence, looking at the significant role SMEs play in the economic upliftment of a nation through its export contributions, the central issue of concern is how to strengthenits competitiveness so that it can thrive steadily on its own internal potential and overcome the bottlenecks arising due to globalization.

A number of studies have been done throughout the world to examine and understand the determinants of competitiveness and other key success factors that ensure the survival of SMEs in this highly demanding international trade arena. The empirical study on Finnish SMEs, including both traditional exporters and international companies, by JormaLarimo[16] comes out with the facts that export performance is positively impacted by firm size, product/service quality, international orientation, and market diversification. However, along with market spreading and diversification, product adaptation also seemed very important for rapid growth and extension. Brouthers et al.4 worked with samples taken from small firms of Greece and Caribbean countries and showed that greater a firm's concentration of export sales in a single foreign market, the greater is its export performance. Also, even if small firms have limited resources and greater risks, firms should emphasize on international sales while restricting exports to few foreign markets.

But, as per the above paper, if small firms should only concentrate in fewer foreign markets, does that mean there should not be any active need for marketing or promotional activities for exporting SMEs?

Joan Freinanet[11] evaluates the collective effects of export promotion programmes in export performance, considering a variety of impact dimensions and also includes a broad representation of companies according to their level of export involvement. She finds that for starting/passive exporters, use of direct promotion programs, information, and assistance in starting exporting and financial aid programs is positively related with the export performance measurements.

An important, but often neglected, strategic area of exporting is pricing in foreign markets. Under conditions of foreign market ambiguity, where the quality of information received is deficient, exporters tend to manipulate various price dimensions, such as volume discounts, credit terms and special prices for new products, because operating in unfamiliar and complex foreign business environments initiates a sense-making process that pushes a firm to change its current behavior[20].

Consequently some parameters coming out from the literature which are required for the exporting SMEs to sustain their competitiveness are market reach, promotional programs, product adaptation and the like. Hence it comes out that presence of a suitable market mix strategy is an absolute necessity for exporting SME firms.

However, it is not very commonly found to be prevailing and being implemented among the SME units of developing nations. TongesaiMpofuaand ShyletChigwendeb[24], who had worked with Zimbabwean exporting SME units, comes out with the fact that SMEs lack of skilled human resources contributes to poor formulation and implementation of marketing plans. Being a developing nation, is the gap of effective marketing mix plans in the exporting SME firms prevalent in India too?

High export concentration is mostly determined by the dynamic growth of specialized exports, which tends to expand much faster than other exports. India being a labour abundant country, its competitive advantage lies in labour intensive export products. SME is that sector which is labour intensive and can generate huge employment in India. As a consequence, it is the highest contributor to Indian exports and holds a strategic position.

The leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. SMEs play a vital role in the export of leather and leather footwear as around 60-65% of the exports are contributed by this segment and also SMEs comprises of 80% of the leather footwear units.

Terry McMallin[18] tries to formulate some guidelines on appropriate marketing techniques for the SMEs who wants to enter into the trade of leather footwear. The study informs that data on the latest fashion trend can be obtained from the councils working on the same, on a subscription basis. Visiting international fairs like MIDEC, MICAM, GDS etc. also helps a lot. The export market of leather footwear is a high price aware buyer market. Hence, pricing should be done keeping trade tariffs in mind. Buyers should have almost instant access to the suppliers. Promotion can be done through company brochure, news releases, participating in fairs with the best of samples.

The paper by ICRA Management Consulting Services Limited[12], finds that India is only capable of responding to small and medium size orders of leather shoes which sell on price rather than quality but China gets huge price driven orders from US discount retail chains. The paper suggests that the government of India should follow export promotion activities through marketing support as government in other countries have undertaken aggressive marketing in other sectors to build brands out of commodities, which the Indian Govt. fails to do.

3. Research Gap

There has been a lot of research conducted worldwide on the leather and leather footwear sector and its performance at large. Likewise, in India a number of white papers and research papers have dealt with the concerned sector. However, the most significant gaps which lies with the existing literature is the state of the exporting SME leather footwear firms with parameters as in marketing mix, clustering activities, competitive priorities and the like. Moreover, linking these important parameters and finding out whether there exists a relation to the performance of the SME exporters has not been dealt with.

This particular study attempts to contribute by examining the performance of the exporting SME footwear units and its relation to the marketing mix strategies adopted by them.

The research addresses the following questions:

- At what extent have the leather footwear exporting SME firms adopted marketing mix strategies?
- Does adoption of marketing strategies have positive effects on the export performance of the leather footwear SME firms?

4. Research Design

As competition in the world markets has intensified, there also arises an increased need for understanding the concept of export performance and the factors associated with it. Export performance is defined as the extent to which a firm's objectives, both strategic and financial, with respect to exporting a product to a market are achieved via the execution of the firm's export marketing strategy. Today, there is a general consensus that the traditional financial measures, though still valid and relevant, but needs to be balanced with more contemporary, intangible and externally oriented measures.

This research work has taken up the economic/financial measure and the market image measure of an exporting firm which together jointly comprises the performance construct of the study.

The economic performance is generally measured through two traditional factors being: sales turnover and profit after tax.

Customer satisfaction is a term frequently used and it measures how a product supplied by a company, meets or surpasses customer's expectation. Customer satisfaction is taken up as a measure of market image and has been defined through repeat purchases done by customers.

The other major variable which the paper intends to study is the marketing mix strategy adopted by the exporting firms. This had been measured by the 4 P's, viz. place, product price and promotion.

4.1 Place

For an exporting firm, place can be the importing country and hence becomes very crucial to examine whether the exporting leather footwear firms are carrying out their business in the right place (i.e. importing markets) as per demand and competition. As a final point, the study also wishes to explore whether the choice of the right importing markets affects the export performance of the firms.

4.2 Product Segment

For an exporting leather footwear firm, the three broad categories of product segment are for ladies, men and children. A number of literatures, reveals that the ladies segment has the highest demand worldwide in terms of volume as well as value and is then followed by children and men. This research work intends to find out whether actually the product segment influences the performance of the exporting firm.

4.3 Price Competitiveness

This factor of price competitiveness can be very crucial for a price–sensitive product as it may increase or decrease your sales volume and hence the firm's profit. For an exporting firm, this

Table 1. Items for Economic Performance

Construct	Measure	Adapted From
Economic Performance	Sales Turnover / Revenue Profit after Tax	Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh[23]

Table 2. Items for Performance through Market Image

Construct	Measure	Adapted From
Market Image	Customer Satisfaction	Rajesh K. Singh, Suresh K. Garg and S.G. Deshmukh[23]

price competition can be from national as well as international levels. This study wishes to explore the fact whether price competitiveness has any significant role in the performance of the leather footwear exporting firms.

4.4 Promotional Activities

However, though the Indian SME exporting firms have geared up with promotional ideas and activities, it is still a long way to go as still now majority of the firms work mainly on word of mouth. Hence, this research desires to find out the various ways the exporting leather footwear SME firms have started promoting their product and brand and how is this affecting their performance.

SMEs are often very reluctant to publicly reveal their actual financial performance, and scholars have deliberated on the need for subjective measures in evaluating business performance. Even if objective data is made available, the data often do not fully represent firms' actual performance, as managers may manipulate the data to avoid personal or corporate taxes (Dess& Robinson, 1984; Sapienza et al., 1988).A number of literatures have even propounded using both the objective and subjective measures in assessing the performance of the SMEs.

Hence the hypotheses which come up are:

H0.1: The leather footwear exporting SME firms have not adopted any marketing mix strategy with respect to place, product, price and promotion.

H0.2a: Spreading out to emerging markets has no significant impact on the objective performance of the firms.

H0.2b: Spreading out to emerging markets has no significant impact on the subjective performance of the firms.

H0.3a: The product category (ladies segment) has no significant role in the objective performance of a firm.

H0.3b: The product category (ladies segment) has no significant role in the subjective performance of a firm.

H0.4a: Price competitiveness has no significant impact on the objective performance of the exporting firms.

H0.4b: Price competitiveness has no significant impact on the subjective performance of the exporting firms.

H0.5a: Promotional activities have no significant impact on the objective performance of the exporting firms.

H0.5b: Promotional activities have no significant impact on the objective performance of the exporting firms.

In order to collect information about the relationships that exist and to describe the world as it exists, a descriptive study has been undertaken. Also, the concerned research is mostly quantitative in nature, as a set of large representative sample has been asked to provide their opinions on certain parameters in a structured way.

Table 3. Items for Marketing Mix

Construct	Measure	Adapted From
Marketing Mix	Place (Export Destinations)	JormaLarimo[16]
		Brouthers et al.[4]
		Edward E. Marandu[19]
		Deloitte[7] (in consultation with NMCC)
	Product Segment (only Ladies segment considered)	ICRA Management Consulting Services Limited (for CLE)[12]
	Price Competitiveness	Edward E. Marandu[19]
		APICCAPS[3](Portuguese Footwear, Components, Leather Goods Manufacturers' Association)
		Claude Obadia[20]
	Promotional activities	June Francis and Colleen Collins-Dodd[13]
		Yadav, D. S., Aggarwal Rajeev[26]
		Magnus Hultman, Constantine S. Katsikeas and Matthew Robson (2011)

To collect data, the survey method was used - with responses being collected with the help of a structured questionnaire. The structured questionnaire had the questions in a prearranged order and measured the responses with different kinds of questions put together.

In this research, the content validity of the measurement instrument was assessed by asking experts to examine it and provide feedback for revision. The expert panel included professors, leaders / industry practitioners from the SME sectors and senior leaders from CLE.

Reliability on the other hand, tells us how reproducible your measures are on a retest. This means whether the instrument measuring the variables yields the same or compatible results even when it is used at a different time or place. This has been tested through using the same measures at two different times on the same sampling units.

5. Sampling Method and Size

The population for the study is the exporting leather footwear SME firms operating across pan India.Now, in India the states where these exporting leather footwear SME firms are present are: Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh, Haryana, Punjab and West Bengal; which are clubbed into the southern zone, western zone, northern zone and the eastern zone.

Data from CLE also reveals that the major share or contribution comes from the states of Uttar Pradesh for north and Tamil Nadu for south.

Again, each of these exporting states has districts and then a number of clusters within it. After studying the clusters, it was found that Agra and Kanpur are the two clusters having the highest contribution (both volume and value) in Uttar Pradesh and on the other hand Ambur and Ranipet are the clusters contributing the most in Tamil Nadu.

This has been done keeping in mind that these four clusters are the highest contributors in the export of leather footwear across India.

Hence, the sampling method which has been adopted by this study is the Quota method followed by a Simple Random Sampling.

There are 314 exporting leather footwear SME firms which are registered with CLE from these four clusters; out of which Agra has 135, Kanpur 113, Ambur 42 and Ranipet 24 exporting firms.

Now, to calculate the optimal sample size we have taken into consideration the confidence level, the margin of error, the response distribution and the population size.

Lastly, keeping in mind the total sample size (n=174), the population size (N=314) and the distribution of firms in each cluster, the number of firms to be taken as sample from each of the four clusters is:

Ambur: 21

Ranipet: 12

Agra: 75

Kanpur: 66

Primary data was collected from 174 firms in total across the four clusters using a structured questionnaire. The sample items were either the M.D or any higher official of the leather footwear exporting SMEs

6. Findings and Interpretations

In order to test the first hypothesis a descriptive statistical analysis was carried out. The hypothesis was:

H0.1: The leather footwear exporting SME firms have not adopted any marketing mix strategy with respect to place, product, price and promotion.

The Table 4 show the analysis:

Place (Export Destinations): The Table 4 shows the different statistical values of the market reach of the exporting firms with respect to ongoing traditional markets and emerging markets:

It is found that the marketing strategy with respect to place or to reaching out to new emerging markets are still not in place and are around only 27% for the SME exporting firms.

Price: The Figure 1 shows the distribution of firms regarding their perception on their pricing structure:

The Figure 1 shows that around 37% of the exporting firms feel that their pricing strategy is better than the competitors. However, 16% feels that they are not as good as their competitors in pricing and 19% of the exporting firms do not have any idea about the pricing structure as compared to competitors.

Product segment: The Table 5 shows the different statistical measures coming out regarding the distribution of production between the ladies segment, men's segment and children's segment among the exporting firms:

A number of literature states that, world-wide the ladies segment in footwear is ahead not only in terms of volume but also value. The Table 5 shows us that in India the exporting SME firms are still comfortable producing in the men's segment hugely.

Promotional Activities: The Table 6 shows the different forms of promotional activities present and absent across the exporting firms:

From the Table 6 it clearly comes out that apart from having a company web-site, the SME exporting firms are not very actively engaged in other forms of promotional activities.

So looking at the present state of the exporting SME leather footwear firms, it can be stated that they are still way behind in adopting a suitable marketing mix that will help them to enhance their performance.

H0.2a: Spreading out to emerging markets has no significant impact on the objective performance of the firms.

H0.2b: Spreading out to emerging markets has no significant impact on the subjective performance of the firms.

Here place (export destination) has been measured through the percentage of export to the emerging markets by the leather footwear firms and is one of the independent variables. Performance on the other hand is the dependent variable.

Table 4. Distribution of export between emerging and traditional market

Stats Tools	TRAD_MKT (%)	EMG_MKT (%)
N	172	172
Mean	72.58	27.42
Std. Deviation	27.435	27.435

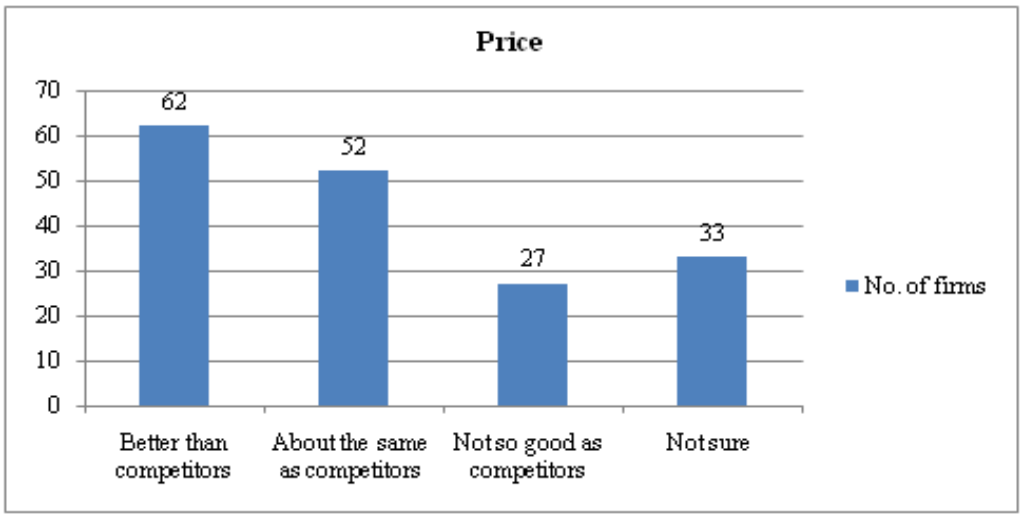

Figure 1. Perception of price competitiveness among sample firms.

Table 5. Distribution of export between ladies, men and children's segment

Stats Tools	LADIES_SEG (%)	MEN_SEG (%)	CHLD_SEG (%)
N	174	174	174
Mean	26.59	62.07	11.34
Std. Deviation	30.567	37.656	21.363

Table 6. Presence / Absence of different promotional activities

Promotional activities	Active participation in Trade fairs	Company Brochure	News releases	Company website	Training for Business Development
Present	68	36	52	132	66
Absent	106	138	122	42	108
Mode	Absent	Absent	Absent	Present	Absent

Correlation has been carried out with the % of exports to the emerging markets and each one of the performance measures. The Table 6 shows the analysis:

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- Spreading out to emerging markets and sales revenue(negative relation)

H0.3a: The product category (ladies segment) has no significant role in the objective performance of a firm.

H0.3b: The product category (ladies segment) has no significant role in the subjective performance of a firm.

Here product category has been measured through the percentage of production between the ladies segment, men's segment

Table 6a. Correlation between objective performance and emerging market

CORR	SAL_REV_OBJ	PAT_OBJ	REP_CUST_OBJ
EMG_MKT	r = -.164* sig = .032 N=173	r = -.135 sig = .081 N= 168	r = -.030 sig = .694 N=174

Note: *p<.05, **p<.01, ***p<0.001

Table 6b. Correlation between subjective performance and emerging market

CORR	SAL_REV_SUB	PAT_SUB	REP_CUST_SUB
EMG_MKT	r = -.148* sig = .042 N=174	r = -.136 sig = .075 N= 174	r = .004 sig = .960 N=174

Note: *p<.05, **p<.01, ***p<0.001

and the children's segment by the leather footwear firms and is one of the independent variables. Performance on the other hand is the dependent variable.

Correlation has been carried out with the % of production in the ladies segment and each one of the performance measures. The Table 7 shows the analysis:

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- Product segment (ladies segment) with sales revenue and repeat customer

H0.4a: Price competitiveness has no significant impact on the objective performance of the exporting firms.

H0.4b: Price competitiveness has no significant impact on the subjective performance of the exporting firms.

Here price competitiveness of the firms is one of the independent variables and performance being the dependent variable, a one-way ANOVA has been carried out with price competitiveness of the firms and each one of the performance measures one by one. The Table 8 show the analysis:

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- Price competitiveness and profit after tax

H0.5a: Promotional activities have no significant impact on the objective performance of the exporting firms.

H0.5b: Promotional activities have no significant impact on the objective performance of the exporting firms.

Table 7a. Correlation between objective performance and product segment

CORR	SAL_REV_OBJ	PAT_OBJ	REP_CUST_OBJ
PROD_SEG (Ladies)	r =.154* sig = .044 N=173	r = .040 sig = .602 N= 168	r = .324* sig = .000 N=174

Note: *p<.05, **p<.01, ***p<0.001

Table 7b. Correlation between subjective performance and product segment

CORR	SAL_REV_SUB	PAT_SUB	REP_CUST_SUB
PROD_SEG (Ladies)	r = .233* sig = .041 N=174	r = .118 sig = .122 N= 174	r = .259* sig = .040 N=174

Note: *p<.05, **p<.01, ***p<0.001

Table 8a. ANOVA between objective performance and price competitiveness

ANOVA	SAL_REV_OBJ	PAT_OBJ	REP_CUST_OBJ
Price Competitiveness (Sig value)	.076 F= 2.33	.039 F= 2.84	.309 F= 1.30

Note: *p<.05, **p<.01, ***p<0.001

Table 8b. ANOVA between subjective performance and price competitiveness

ANOVA	SAL_REV_SUB	PAT_SUB	REP_CUST_SUB
Price Competitiveness (Sig value)	.001 F= 6.19	.000 F= 11.56	.445 F= .895

Note: *p<.05, **p<.01, ***p<0.001

Here the promotional activities are the independent variables and performance being the dependent variable, an independent samples T test (Comparison of mean) has been carried out with all the measures of promotional activities absent or present in an exporting firm with each one of the performance measures one by one. The Table 9 show the analysis:

Hence the association which comes up as significant (significance value <.05) and conclusive, i.e. having significant relationship with both objective and subjective measures of performance is: (rest is considered as inconclusive)

- Participation in trade fairs as a promotional activity with sales revenue and profit after tax
- News release as a promotional activity with sales revenue, profit after tax and repeat customer
- Presence of company website as a promotional activity with sales revenue
- Presence of company brochure as a promotional activity with repeat customers
- Training for BD as a promotional activity with repeat customers

7. Conclusion

The objective of this paper was twofold: one was to explore the relationship of marketing mix strategies with the performance of the leather footwear exporting SME firms and the other was to identify the kind of marketing strategies present in the said firms.

It has been found that the exporting SME firms still rely heavily on the ongoing traditional markets and the percentage exports done with emerging new markets is less. However, it has also

Table 9a. Relation between objective performance and promotional activities

Differences between Mean	SAL_REV_OBJ		PAT_OBJ		REP_CUST_OBJ	
Active participation in fair	t = -2.63	sig = .009	t = -3.06	sig = .003	t = -5.09	sig = .000
News releases	t = -2.91	sig = .004	t = -3.00	sig = .003	t = -5.07	sig = .000
Company Website	t = -2.68	sig = .008	t = -1.45	sig = .147	t = -.316	sig = .752
Company Brochure	t = -1.35	sig = .178	t = -1.59	sig = .113	t = -3.59	sig = .000
Training for BD	t = -1.64	sig = .101	t = -2.45	sig = .015	t = -5.46	sig = .000

Note: *p<.05, **p<.01, ***p<0.001

Table 9b. Marketing Mix Relation between subjective performance and promotional activities

Differences between Mean	SAL_REV_SUB		PAT_SUB		REP_CUST_SUB	
Active participation in fair	t = 3.03	sig = .003	t = 3.75	sig = .000	t = -1.16	sig = .254
News releases	t = 2.16	sig = .032	t = 2.79	sig = .006	t = -2.07	sig = .039
Company Website	t = -4.30	sig = .000	t = -3.66	sig = .000	t = -1.75	sig = .081
Company Brochure	t = 1.65	sig = .100	t = 2.13	sig = .034	t = -2.67	sig = .000
Training for BD	t = 2.28	sig = .024	t = 3.20	sig = .002	t = -1.98	sig = .049

Note: *p<.05, **p<.01, ***p<0.001

been observed that sales revenue as a performance measure has a significant negative relationship with the percentage exported to the emerging markets. This shows that greater a firm's concentration of export sales in fewer foreign markets,greater is its export performance.Hence in case of these leather footwear exporting SME firms, market concentration is better than market diversification.

The fact which came out regarding the pricing strategy is that, 35% of the firms are not at a comfortable position with respect to their price competitiveness as either they are not as good as their foreign competitors or they are not aware about the international scenario at all. The situation is a bit alarming as price competitiveness has a significant relationship with the profit after tax of the exporting firms.

As far as the product segment is concerned, the Indian SME exporting firms have a huge difference between catering to the men's segment and the ladies segment. The exporters are still comfortable in producing and exporting in the men's category, whereas it is known that demand in the ladies segment across the world is larger. Nevertheless, a significant relationship has come out between exporting in the ladies segment with the sales revenue and repeat purchase percentage of the exporting firms.

Lastly, it is being observed that on an average the exporting SME firms do have a company website as a promotional tool but other activities such as active participation in trade fairs, news releases, having a company brochure and providing training for business development is largely absent. On the contrary we find that all of the above promotional activities which are largely missing among the exporting firms has significant relationship with either sales revenue or PAT or repeat customers.

The above findings as a whole demonstrate the lack of planned marketing strategies implemented by the leather footwear exporting firms and the organizations mostly run on trial and error strategies. This needs immediate intervention. The study thereby suggests that the Ministry of SMEs, along with the support institutes like CLE, CFTI, DIC and universities should hold regular workshops for these SMEs so that they become aware and well educated on marketing planning and implementation. These measures are expected to improve the managerial skills in SMEs and thereby result in improved performance through the adoption of well-planned marketing mix strategies.

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“Global Competition and Government Support– vis-à-vis the Leather Footwear Exporting SMEs of India”

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Abstract:

One important thing which significantly affects any export performance is the presence of competitive advantage in the international market. This competitive advantage can be interceded by global competition, from any part of the world in any form as against the various support and capacities created by the government. The study here intends to find out the capacities where the Government has succeeded or failed in the leather footwear export sector. The paper also wishes to explore the differences between India and her Asian counterparts (mainly China and Vietnam) with respect to international competition. This exploration has been done in the exporting leather footwear SME segment with 174 firms as sample size from four different clusters within India. The findings pertaining to the global issues directly points to the lack of government support in India as compared to the south eastern competitors and suggests that the government should immediately intervene in areas such as power supply, materials market, logistics cost, export duty rates and optimum utilization of the leather endowment present in India.

Fwd: Acceptance of Full Paper - NC 2016

1 message

Bianka Ray Chaudhury <bianka.rc@gmail.com> Sun, Jan 31, 2016 at 1:16 PM

Dear Prof. Bianka Ray Chaudhury,

We feel happy to inform you that the research paper submitted by you for the National Conference-2016 at DYPIMS has been accepted.

You may adhere to the guidelines attached (if not already done) and resend the paper

The registration fees are as follows : Industry Delegates:Rs. 1500, Academicians from India: Rs. 1000, Research Scholars:Rs.750 and Students: Rs. 300 (Registration details are attached along with the bank details)

The Presentations are scheduled as follows :-

Students - 5th February 2016 from 4.00 pm to 6.00 pm
Industry Delegates ,Academicians and Research Scholars - 6th February 2016 from 2.30 pm to 4.30 pm

Looking forward to hearing from you.

Thanks,
DYPIMS Team

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